

**ORIGINAL**

Decision No. 63418

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of: )  
 CALIFORNIA MOTOR TRANSPORT CO., a )  
 California corporation, )  
 (1) for authority to purchase )  
 corporate stock of )  
 J. CHRISTENSON CO., a California )  
 corporation; and )  
 (2) Then to acquire the assets and )  
 liabilities of J. CHRISTENSON CO., )  
 and cause J. CHRISTENSON CO. to )  
 be dissolved. )

Application No. 44193  
Filed February 16, 1962

O P I N I O N

This is an application for an order of the Commission authorizing California Motor Transport Co., a corporation, to acquire all of the outstanding capital stock of J. Christenson Co., and authorizing J. Christenson Co. to transfer its operative rights and properties to California Motor Transport Co.

Applicants operate extensively as highway common carriers of general commodities, with certain exceptions, in the State of California. The application shows that one of the restrictions in much of the area served by California Motor Transport Co., a corporation, is against the transportation of commodities requiring temperature control, whereas, the prime operations of J. Christenson Co., a corporation, have been in the transportation of commodities requiring temperature control. The California intrastate highway

common carrier operative rights of California Motor Transport Co., a corporation, are the subject of Application No. 43374 in which said corporation seeks an in-lieu certificate of public convenience and necessity, which application is not yet ready for decision. The operative rights which J. Christenson Co., a corporation, seeks authority to transfer to California Motor Transport Co., a corporation, were granted by Decision No. 60116, dated May 17, 1960, in Application No. 41288, as modified by Decision No. 61888, dated April 25, 1961, in Application No. 43066.

The application shows that the outstanding capital stock of J. Christenson Co. consists of 100 shares of common stock of the par value of \$500 each, of which 75 shares are held by J. B. Christenson and 25 shares by William M. Gavin; that the book value of such shares amounted to \$345,179 as of October 31, 1961; and that the holders of the shares have agreed to sell them to California Motor Transport Co. at an agreed purchase price which amounted to \$584,007 as of October 31, 1961.

California Motor Transport Co. proposes to finance \$100,000 of the purchase price of the shares of stock with cash now on hand and the balance with moneys to be borrowed from City Transit Systems, an affiliated corporation. While it is true the carrier has agreed to pay for the J. Christenson Co.'s shares a sum substantially in excess of the reported book values it nevertheless appears that it will be acquiring a going and successful operation which developed net profits after income

taxes of \$48,243 in 1960 and \$52,862 in the first ten months of 1961 and the purchaser estimates it can effect annual savings in the combined operations in excess of \$75,000, before income taxes.

Upon acquiring the shares, California Motor Transport Co. will cause the ownership of the rights and all the other assets and properties of J. Christenson Co., reported at a total book value of \$1,039,659 as of October 31, 1961, to be transferred to it, subject to outstanding liabilities which included current accounts of \$300,270 and long-term obligations of \$394,209. It appears that the purchaser will enter upon the combined operations in a reasonably good financial position and with a balanced capital structure. A condensed pro forma balance sheet, giving effect to the purchase, is as follows:

Assets

Current assets	\$1,776,401
Operative property, net	2,493,606
Intangible capital	31,566
Other investments	<u>5,761</u>
Total	<u>\$4,307,334</u>

Liabilities and Capital

Current liabilities	\$1,067,398
Miscellaneous reserves	88,125
Long-term obligations	1,337,872
Loan from City Transit Systems	484,007
Common stock and surplus	<u>1,329,932</u>
Total	<u>\$4,307,334</u>

A combined income statement for the first ten months of 1961, adjusted to give effect to estimated economies in operations, shows total revenues for the period of \$7,135,154 (California Motor Transport Co. \$4,433,128 and J. Christenson Co., \$2,702,026) and net profit after income taxes but before depreciation in the amount of \$594,347.

Upon reviewing this matter we find and conclude that the operations of California Motor Transport Co. should be ample to support the acquisition costs without jeopardizing the company's financial condition or interfering with its ability to perform its public service obligations and that the transfer, under the terms set forth in the application, will not be adverse to the public interest. We will enter an order granting the application.

California Motor Transport Co., 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, such rights extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be modified or canceled 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, properties and other assets 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 ORDERED that -

1. California Motor Transport Co., a corporation, may enter into an agreement in the same form, or substantially in the same form, as that filed in this proceeding as Exhibit C, and may purchase and acquire all of the outstanding capital stock of J. Christenson Co., a corporation.

2. J. Christenson Co., a corporation, may transfer to California Motor Transport Co., a corporation, the certificate of public convenience and necessity granted by Decision No. 60116, dated May 17, 1960, in Application No. 41288, as modified by Decision No. 61888, dated April 25, 1961, in Application No. 43066, together with its properties and other assets as set forth in this application.

3. California Motor Transport Co., in acquiring such rights and properties, shall assume the obligations of J. Christenson Co. as set forth in this application.

4. On not less than 30 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 J. Christenson Co., a corporation, has withdrawn or canceled and California Motor Transport Co., 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. Within thirty days after the consummation of the transfer herein authorized, California Motor Transport Co., a corporation, shall notify the Commission, in writing, of that fact and within said period shall file with the Commission a true copy of any bill of sale or other instrument of transfer which may be executed to effect said transfer.

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6. The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California,  
this 20<sup>th</sup> day of March, 1962.

Ernest B. Hoag  
President

W. E. Mitchell

George E. Traver

Fredrick B. Hibbs

Commissioners

Commissioner C. Lyn Fox being necessarily absent, did not participate in the disposition of this proceeding.