

Decision No. 82250

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
STERLING TRANSIT CO., INC., a
corporation, to sell and leaseback
terminal properties.

Application No. 54086
(Filed June 4, 1973;
amended October 9, 1973)

OPINION AND ORDER

Applicant Sterling Transit Company, Inc. (Sterling), a highway common carrier holding a certificate of public convenience and necessity issued by the Commission in Decision No. 80560, requests authority pursuant to Section 851 of the Public Utilities Code to sell, and applicant Capital Guaranty Corporation (Capital) requests authority to buy, six of Sterling's truck terminal sites described below. As part of the transaction applicants assert that the terminals will be leased back to Sterling under 25-year leases with two five-year options on the part of Sterling to renew. A description of the involved real estate, the minimum sale price, and the monthly leaseback rental for each piece of property is as follows:

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<u>Description</u>	<u>Minimum Price</u>	<u>Maximum Monthly Rent</u>
1. 6.8 acres owned at 853 South Maple Avenue, Montebello, California, improved with a two-story stucco and steel construction office building, maintenance garage building, and 60- by 180-foot dock with 41 loading bays.	\$ 580,000.00	\$6,997.00
2. 0.5 acre owned at 2646 Commercial Avenue, San Diego, California, with a fenced yard and improved with an office building and a 30- by 100-foot dock.	44,000.00	533.00
3. 3.3 acres owned at Reamwood Avenue, Sunnyvale, California, improved with a stucco and steel construction office building, dock, and garage building.	245,000.00	2,950.00
4. 5 acres owned at 12875 Aurora Drive, San Leandro, California, improved with a garage building, fenced yard, and 60- by 160-foot dock with 31 loading bays.	500,000.00	6,051.00
5. 1.97 acres owned at 410 South Main Street, Manteca, California, improved with a 30- by 60-foot dock with 9 loading bays.	40,000.00	492.00
6. 3.3 acres owned at 3232 Orin Way, Bakersfield, California, improved for a trucking terminal.	78,700.00	853.00
Total	\$1,487,700.00	

Sterling showed that as of April 30, 1973 it had a net worth excluding intangibles of \$970,717; that the depreciated book value of its land and structures on that date was \$672,159; and that the results of its operations for the first four calendar months of 1973 produced a net revenue of \$65,490 for an operating ratio of 96.5 percent.

Sterling states that the effects of the proposed transaction will be beneficial to the financial health of the company in that the transaction will permit the Sterling shareholders to substantially reduce their invested capital and thereby increase the rate of return on the remaining invested capital; that the transaction will substantially reduce the long-term debt through application of a portion of the proceeds of the sale to repayment of the debt secured by the real properties; that the transaction will reduce income taxes payable by Sterling since the full amount of the lease payments will be a deductible expense; and that after debt reduction and withdrawal of the remaining proceeds of the sale, Sterling will continue to show a strong financial position with a favorable ratio of equity to long-term debt.

After consideration the Commission finds that the proposed sale will not be adverse to the public interest nor have an adverse effect on Sterling's ability to serve the shipping public. A public hearing is not necessary.

The authorization granted shall not be construed as a finding of the value of the properties authorized to be transferred.

IT IS ORDERED that on or before March 25, 1974 Sterling Transit Company, Inc. may sell and transfer the real properties listed above on terms substantially consistent with those set forth in the application.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 18th
day of DECEMBER, 1973.

William J. Syson President
[Signature]
[Signature] Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.