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STATEMENT BY

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TESTIMONY OF RICHARD D. NEUMANN

My name is Richard D. Neumann. I was and remain a Non-Sked airline operator. I say Non-sked with some pride for it was the Non-sked that created Aircoach and low cost transportation by air. It was the Non-sked that relieved Berlin during the Russian blockade. It was the Non-sked that created a 7000 mile airborne lifeline to Japan and Korea in 1950. It was the Non-sked that aided the struggling birth of the State of Israel. It was the Non-sked that brought out the Hungarian Freedom Fighters. It was the Non-sked that supported the landing of the U.S. Marines in Lebanon in 1958. It was the Non-sked who ^{ON}innumerable occasions airlifted supplies to the Formosa Chinese each time the mainland Chinese threatened invasion. It was the Non-sked that operated and flew to a hundred sites above the Arctic Circle to create and build the Distant Early Warning network, the Dewline. It was the Non-sked that flew supplies to stricken places in the world suffering natural devastations. It was the Non-sked that made air travel between the United States and Alaska cheap enough for all to fly and who made it possible for millions of Americans to first think about vacationing in Hawaii and Europe without having to be millionaires. It was the Non-sked that willingly abandoned its regular business to answer its government's call for emergency airlift anywhere in the world and to support its Armed Forces anywhere in the world. It was the Non-sked that brought technology and aircraft to bear on insect infestations in remote areas of the world. It was the Non-sked that brought charter air transportation into being of what it is today. The

Non-skeds pioneered those many things and much more. They were the brash crushed hatted airmen of World War Two and Korea. The difficult was accomplished today, the impossible tomorrow. Much of what they pioneered is being lost. Low cost air transportation has ceased to be a reality that is within the reach of the majority of Americans. The pioneers that created that market have also ceased to exist and that is what I am here to talk about today.

In 1955 the Civil Aeronautics Board coined a new name for the Non-skeds and called us Supplementals. The word meant Supplemental to the Graveyard. CAB presides over a massive graveyard where lie interred 140 Non-skeds. There is an old saying that Dead Men tell no tales. The spirit of the Non-skeds does not choose to die and you will hear those tales. They are tales of deceit, trickery, fraud and conspiracy. Some of what has taken place and has been allowed to happen with official sanction approaches as close to acts of treason as one may do in times of peace.

Inscribed upon the National Archives is the phrase "What is Past is Prologue". Much of what I will cover here today is prologue. Upon another building here in Washington, the Supreme Court is another accepted maxim, "Equal Justice Under the Law". Much of what I will cover today will somewhat refute the maxim as it applies to the antics, tactics and activities of a government agency, the Civil Aeronautics Board of the United States. You will hear also from others of our Non-sked industry repeating in part much of what I have to say. I hope you will listen for within the story of the Non-skeds are many lessons by which we as a nation should all profit.

The comments I will make about the Civil Aeronautics Board, the Military Airlift Command, the Central Intelligence Agency, the Small Business Administration and the Federal Aviation Administration are based on first hand experience. Much of what I have to say about the CIA concerns the past and the CIA appears to have actively moved to halt most of the objectionable activities, though not all. What I have to say about the Military Airlift Command concerns not the men and women of the operations/squadrons and units, but the military-political managers of that Command. The CAB and FAA which comprise the major portions of my testimony still actively operate with repressive

while my testimony may appear caustic with regard to the CAB, I should like to start by stating that the CAB is still needed as a regulator. There has been much talk of defanging and deregulating its powers. I agree to a major extent with abridging the powers of the CAB. I do not agree with the proposals that would seek to destroy it totally so that it would become an ineffective organization. The FAA requires also serious surgery if the aviation age is to continue to blossom forth to the benefit of the people of this country and the world.

I will begin with the description of my two companies, California Air Charter and Holiday Airways but can touch only briefly on the many aspects in the time available.

I became President of Cal Air in 1959 in its 13th year of existence. In January of that year I purchased the stock and ownership of the company, which was then Supplemental Air Carrier Number 14. Cal Air like all of the Non-skeds came into existence at the end of World War 2 as the result of government inducements to spread the benefits of aviation to the people of this country. Several government agencies, including the CAB actively induced ex-GI's to invest and buy aircraft which CAB stated would not be regulated, encouraging them to start airlines. Aircraft were allocated to veterans under a preferential priorities, financed through low interest government loans at costs of a tenth of the cost of manufacture. The aircraft were military versions of the DC-3, Curtiss Wright CW-20, Douglas DC-4 and Lockheed Lodestar and Constellations.

Cal Air acquired C-47/DC-3 aircraft in 1946 and commenced to "air tramp" about the nation, to Alaska and to South and Central America as an unregistered air carrier. It carried cargo and passengers. By 1950 it was 14th to 15 ranking in passenger miles flown domestically. In 1947 it was required to and filed for a CAB letter of Registration as a Large Irregular Air Carrier. In 1950 CAB required it to file an application for continued exemption as such a carrier. In 1951 CAB proposed to deny 97½ percent of all such exemption applications. The Senate's Select Subcommittee on Small Business threatened to hold immediate hearings. CAB immediately instituted its Large Irregular Air Carrier Investigation, which was to continue for 12 long years. Cal Air between 1950 and 1960 engaged in military charter operations, CAM's,

the United States and to and from Alaska, charter and contract air services. Its aircraft fleet varied with DC-3, DC-4 and C-46 with as many 5 and as few as one aircraft. All aircraft were bought on lease purchase plans at what were then exorbitant rates since conventional financing was not available to non-certificated carriers, ^{THIS WAS} especially so ~~SINCE~~ ^{WANTED} CAB had a known stated policy that it ~~WANTED~~ ^{WANTED} to eliminate ~~THE~~ ^{THE} industry.

Military charter flights were interfaced with common carriage individually ticketed services to reduce costs to the government for ferry flights. ⁴ Passengers were procured from passenger agents throughout the country and through our Association, the Aircoach Transport Assn., ACTA. These arrangements reduced government military transportation cost by almost half. In 1955 CAB made the Non-skeds Supplemental Carriers as a result of its Large Irregular Air Carrier Investigation, or so they thought. The Non-sked ~~WAS~~ ^{WAS} to get ~~THE~~ ^A place in the sun. The CAB order imposed scheduled limitations of ten trips per month between common city pairs. CAB's certification order was purposely defective and was thrown out by the Courts. In 1959 CAB again issued an order certificating half of the surviving Non-skeds with 2 and 5 year authorizations and terminating the authority of the remaining half the industry, Cal Air among them. The order was appealed and thrown out by the Courts leaving the problem with the Congress. In October 1959 Cal Air was revoked as a result of a CAB allegation of wilful violations. Cal Air was forced to drop its appeal and the CAB orders became effective in 1960. The causes, of which this was the result, will covered later herein. In 1962 Cal Air filed for new authority pursuant to new legislation. In 1964 it withdrew its application which it alleged had been seriously prejudiced by the CAB.

Cal Air operated its individually ticketed services at an average fare of 3 to 3½ cents per passenger seat mile. Charter transportation averaged less then 3 cents a seat mile on a plane load basis. Cal Air operated California - New York for \$99.00 One way and \$ 80.00 each way on a round trip ticket. California - Chicago was \$ 75.00 one way and \$ 63.50 on a round trip. Fares were comparable to all major points in the country. Cal Air provided essential services to the Forest Service during periods of fire emergencies and operated with special waivers to perform hazzardous air operations. It catered to the motion picture studios for charters, operated contract services to Las Vegas for the

11 EMPTY AIRCRAFT PAID FOR FLYING TO ANOTHER PICK-UP POINT.

hotel casinos, operated military contracts and engaged in California Intrastate operations. Its fares were approximately 40 percent lower than those charged by CAB certificated route carriers, a factor common to all Non-skeds. Between 1946 and 1960 with the Non-skeds such as Cal Air acting as a catalyst, air travel increased over 5000 percent and has been described as the golden age of air transport. The non-skeds aged but we saw very little of the gold.

In 1962 I filed individual applications with CAB for Supplemental Authority. In 1964 I requested that Holiday Airways, a corporation of which I was both President and majority stockholder be allowed to assume my applications. It was allowed by CAB in the same order dismissing Cal Air. Holiday participated in the entire Supplemental Case before CAB, was denied, appealed and was dismissed. Holiday ceased all activity in 1968. Holiday never engaged in air transportation, though that was to be its primary purpose. When Holiday sought Supplemental authority it was also negotiating major cargo contracts worldwide and believed that such contracts would be operational before CAB completed its Supplemental Case. Had Holiday commenced its contract business it would have acquired a large fleet of Super Constellation cargo aircraft. Instead, and as a direct result of the CAB hearings and CAB personnel, its contracts were destroyed and Holiday left a shell. It did acquire aircraft and a foreign flag permit to operate into the South American Republic of Colombia. Holiday's structure was identical to Cal Air, permitting low cost air transportation to shippers, which made its contract services attractive. It was not until April 1975 that I learned the true facts of what had been done to my two companies, California Air Charter and Holiday Airways or the cast of characters that were involved in the destruction of their businesses and licenses. The facts are however well documented and I shall touch upon them briefly in my later testimony.

The Non-skeds as California Air Charter was, performed numerous major services to the public ~~and~~ air transportation. It was a brash, young and energetic industry filled with the spirit of Can Do. Its management and its employees for the most part had fought a war for the American Way of Life and the free enterprise system. Its people were all airmen in the true sense of the meaning. Board to them meant Selective Service ^{OR DRAFT BONDS,} Lawyers and courtrooms were not a familiar way of life. Their low cost services acted to keep the major carriers honest and forced

From 1948 onward the CAB had determined to eliminate the entire Non-sked airline industry as a class to protect the certificated trunk carriers. The Non-skeds had been branded a "Host of Undesirables" by CAB staff and Members. Cal Air's problems are indicative of the means and methods, both legal and illegal which were applied to achieve that goal.

In 1958 CAB brought an enforcement action against Cal Air making a number of allegations. ~~The matter seemed trivial, but~~ on the day of the hearing the Cal Air attorneys were hit with an entire new slate of allegations for which they had not been prepared and were required to proceed. ~~Subsequently it was shown that a CAB witness, CAB's Chief Investigator purposefully withheld evidence in the possession of CAB which showed conclusively that CAB's allegation of wilful violation were wrong.~~ CAC had operated charter flights to Las Vegas casinos. CAB determined that such flights were common carriage, adding tariff violations to its charges. ~~CAB disregarded the fact that many other air carriers, including scheduled certificated airlines engaged in identical operations for the same casinos. Cal Air was charged ^{for not} obtaining prior CAB approval to lease a DC-2 aircraft for its U.S. Forest Service operations. This took place when the aircraft was already considered 15 years obsolete and as the jet age started.~~

After the hearings Cal Air attorney's tried to obtain copies of the transcript and exhibits comprising over 1200 pages of testimony and over 200 documents. They could not, and were forced to file answers and produce briefs based on handwritten notes, an impossible task. The same attorney's represented one of the large so called combine common carriers and were discriminated against by CAB personnel and CAB attitudes, which was ^{THIS} carried over to Cal Air.

Subsequently when I assumed control in January of 1959 I sought to terminate all objectionable operations and to seek a settlement with CAB. In a discussion with a senior CAB official he agreed that Cal Air's denial of further authority and the enforcement action were based on facts that did not require such sanctions. He would agree to lift the sanctions provided I immediately fired the Cal Air attorney's. I could not and did. ^{not} The attorney's appraised of the CAB Officials demands called him and threatened suit for his unethical practices. Thereafter the die was cast. In January CAB had issued an order which allegedly

certificates half the carriers ^{BUT} ~~was~~ denied the other half of the industry, Cal Air among them. This order was appealed by Cal Air. The CAB's basis was an accusation that an officer of a carrier revoked by CAB for so-called willful violation had ^{APPEARANCE} ~~been~~ as an officer on two calendar quarterly CAB reports as an officer of Cal Air.

In June Cal Air bid a contract which was being operated by a CAB subsidized airline, Pacific, now part of the Hughes Air West group. ~~As mentioned before~~ The roof fell in on Cal Air. In 1975 I learned the details. In May of 1959 CAB's Chief Investigator demanded that the Navy send him particulars on the contract which Cal Air had bid. The contract, intrastate between two points in California, was specifically exempt from CAB jurisdiction by statute. In June 1959 an attorney in CAB's Office of General Counsel had talked with the Navy twice, inferring that Cal Air was a violator, that it could not operate the contract legally and that in any event Cal Air would require CAB exemption authority, directing the NAVY to have Cal Air file with a CAB employee, J.W. Rosenthal. In addition he advised that the CAB General Counsel had prepared a Letter of Opinion on the contract which was being sent the Navy. In October of 59 CAB released a press notice stating that it had revoked Cal Air on or about the 7th of the month. Cal Air of course received official notice 4 days later. On the 8th of October when the notice ^{WAS} ~~had~~ printed in a Los Angeles paper ^{CAB'S ATTORNEY} ~~he~~ again talked with representatives of the Navy and SBA and stated to them that Cal Air had been revoked and in view of that fact that CAB would probably not give Cal Air ~~THE~~ Exemption for the contract. Cal Air was never appraised of the CAB's letter of opinion or of the intercourse between the CAB General Counsel's office.

During the course of the contract negotiations CAL Air had been required to bid it twice, the Small Business set aside had been removed as " Unfair to large Business" and had protested changed terms of the contract which limited to bidding ~~only to~~ the CAB ~~subsidized~~ carrier. ~~It~~ ~~had been twice low bidder~~ ^{THE} the second time ^{CAL AIR} was subjected first to a Navy Investigative team, then to an SBA team who were to certify Cal Air for a Certificate of Competency. During the SBA inspection an SBA team member advised myself and my secretary that we were to not get the contract under any circumstances and that he had orders to shoot us out of the saddle. I have the evidence showing the collusion, ~~between the~~

To conclude the episode, in 1960 I wrote the President of the United States and Senator Magnuson citing how CAB had destroyed my company. In August CAB responded with a Memorandum to the President and Senator. It was 6 pages long and unsigned. A copy was sent to Cal Air's attorney's. The CAB memorandum was attacked for ~~what~~ it was, a series of lies, distortions and misstatements of fact. The Attorneys sent their equally well prepared letter to the President, the Senator and each Member of the CAB supported by 18 exhibits showing the various distortions and basic untruthfulness of the document.

In 1975 I was to learn from a former CAB official that the CAB attorney who first intervened in Cal Air's contract had also acted as a co-author of the document which sought to lie to the President and to Senator Magnuson.

In 1975 I was to come into possession of a series of documents, letters and to obtain statements and information which finally started to show how Cal Air had been forced out of business. I learned how Holiday had been destroyed. There emerged facts showing that for better then 16 or more years there had been a consistant conspiracy in the awards of Military Airlift Command contracts and the creation of a conspiracy of monopoly of those contracts by CAB, MAC and the CIA in concert with some certificated and supplemental air carriers. The CAB's planned Administrative Genocide of my industry, the Non-skeds started to unfold in unbelievable proportions. The conspiracy continues even today.

I was to learn that in 1964 and 1965 CAB personnel and staff made phone calls to Holiday's contractor. Their ~~the~~ express and sole purpose was to intimidate that contractor into denying Holiday its contract. The CAB personnel made personal visits as well. Their actions effectively wiped out Holiday's contract. The CAB's Examiner stated that the loss of Holiday's contract was the prime determinate factor for denying Holiday supplemental authority. He then alluded to Holiday as a house of cards, a paper corporation who absent the contract was collapsing. I was cast as a person tainted with Guilt by Association as Cal Air's President. My operations people were similarly tainted, according to the Examiner, for havin^g flown for airlines that CAB charged were wilful violators.

Prominent among the many facts I learned were that the CAB Examiner who castigated Holiday and myself is the same person who as a CAB Attorney had interfered with CAL Air's 1959 contract, He was a co-author of the Memorandum which sought to deceive the President. He had been at the time of the creation of CAB's master plan to destroy the Non-skeds, one of CAB's Enforcement attorney's engaged in legal action directed to destroying such carriers in 1948 thru 1953. I learned at the same time that CAB's Chief Investigator, who had sought to conceal evidence in Cal Air's 1958 hearing, had commanded the Navy contract office to send him particulars on Cal Air's 1959 contract was also one of the CAB employees who both called and visited Holidays contractor in 1964 and 1965 to intimidate the contractor to destroy Holiday.

As the facts continued to unroll I learned that the Supplemental Air Service Proceeding was not only a stacked deck against Holiday, but also against a majority of the other smaller applicants. Facts were adduced that CIA had been a major and substantial participant in that proceeding through its ownership and operation of an applicant, Southern Air Transport, Inc. That all CAB Members, Staff, Bureau Counsel and the Examiner were not only fully aware of deception but had issued a stream of orders to further conceal the deception. That not one CAB employee had been required to take a secrecy oath to prevent them from passing on this information to persons who could make substantial use of such facts. It ~~also~~ was learned that 5 of the largest applicants were quite knowledgeable about the CIA status and were in a position as a result thereof to dictate terms to CAB and CIA as to the authority they wanted, those applicants they wanted denied and to demand exclusively all U.S. Air Force Military Airlift Command business, which facts indicated was agreed to. The big five applicants operated through a single law firm which was privy to such information and enjoyed a partner who was the Secretary of the Air Force. They of course shared such contract business generously with the CIA's airline, Southern Air Transport.

Holiday in 1966 was unaware of the incestuous relationship of the major applicants, CAB, its staff or CIA. In its appeal Holiday cited the bias of the Examiner but as such was unable to point to any specific facts. The CAB proceeding was operated in the manner

As my personal investigation continued facts continued to surface. I was advised that beginning in 1960, one of the Supplemental Carriers had commenced to extort the CIA over their airline operations by demanding MAC contracts using a CIA quasi employee within the office of the Secretary of Defense. The demands were such that the supplemental gained substantial business and grew rapidly. At one point it was showing profits of 26 to 29 percent on contract revenue, forcing CAB to try and explain the huge profits. The CAB did thru double talk to Senate Committees. I learned that after Cal Air had been demised that a plan was put into effect in 1960 in which over a 90 to 120 day period of 27 Non-skeds qualified for MATS business only 5 were able to qualify at the end along with two certificated carriers. In addition I learned that CAB had carefully arranged for two certificated route carriers to create bogus airlines, authorized to engage in "Non Air Transport Activities" to move in a divert millions of dollars away from the potential air carriers CAB was supposed to be certificating. This was commenced in 1965 and 1966 as CAB allegedly labored through a program designed to give the Supplemental industry a place in the Sun. The two airlines created Flying Tiger Air Services and Continental Air Services. Tiger Air Services was allowed by the FAA to operate under FAR 91, the general aviation rules. Tiger Air Services followed Continental Air Services which was brought in through the express aid of the Central Intelligence Agency. The two non-airline airlines were able to divert away massive government contract business from the smaller supplementals. Again a CAB employee whose name effected Cal Air and Holiday was the moving force behind this deception. Tiger Air Services reportedly operated a fleet of 19 Super Constellation Aircraft until they ran out of overhaul time in such "Non Air Transport Services". Continental Airlines was alleged to have been able to obtain the U.S. Trust Territories contract in Micronesia as a result of its relations with CIA, despite the fact that the Micronesia contract was a bid awarded in which both Pan Am and Northwest Airlines lost out, to name a few. Continental was able to use its status to gain entry to Tokyo which some allege was also how Flying Tigers obtained their routes to Japan and the Orient.

In 1975 I located the SBA employee who had tried in a kindly manner to warn us at CAL Air on the 1959 contract. He denied he had made the statements based on the fact that he couldn't remember. He mentioned however that he had been the SBA man assigned to work with USAF Military Air Transport Service Survey Teams charged with reviewing the operations and facilities of non-skeds between 1958 and 1963. He stated to me that sitting in with the teams before conducting an inspection having coffee with them and after completion doing the same, that the teams were under apparent orders to do as he described "Hatchet Jobs" on the Supplemental Non-skeds. They were under orders, it appeared to him, to find any means to disqualify the carriers from MATS awards. A MATS officer he described as being in charge fits the description of a senior MATS officer who subsequently made General, but died in an unfortunate auto accident.

Facts and documents which I have acquired as a result of this investigation indicate a major conspiracy between MATS, CAB, some selected Supplementals as a result of CIA penetration into commercial military contracts which has operated continuously from 1960 to the present time. Other CIA sponsored operations to divert such business took place in Southeast Asia, notably with Bird Air. Documents I have supplied to the Committee set forth the double standards which were applied to the diversion of this business away from the pioneers of the Berlin and Korean Airlifts and ~~the~~ developers of aircoach.

The power of the people engaged in such activities allowed some individuals to be moved about government agencies to insure a continuity of such business. CAB authority ^{WAS A PREREQUISITE} ~~and I presume appropriate payoffs~~ to ^{to} those who demanded it. CAB moved in 1960 to bar competition in the MATS business and to exclude contract carriers and limit such business to carriers over which they exercised jurisdiction. DOD and MATS both agreed through official actions and documents. A CIA employee was assigned to DOD as a Czar of such contracts. He was moved up and a new man appeared who would then move to an executive staff position at CAB and was able to floor plan the certification of the big five carriers. When the carriers were certificated in April of 1966 he joined one in a matter of weeks. One of the Carriers was able to employ the Former Commanding General of MAC as its President for a number of years.

As fact after fact continued to unfold I learned that a former President and General Counsel and some employees of our association, ACTA, were in reality persons alleged to have been and are in the employ of the Central Intelligence Agency. ACTA was subjected to many pressures toward the end of the common carrier non-skeds. CIA's presence explains now how the association had been broken into two parts by an attorney whose firm represents the larger supplemental carriers and the forces that had been brought to bear to eliminate the majority of such carriers. That attorney is now deceased but his firm continues on with one of its members an ex Secretary of the Air Force.

Subsequently I learned that CAB had also operated a breakin team which performed surgery upon non-skeds by planting evidence that could be found to incriminate such carriers as wilful violators. The group alleged to have conducted this activity was within the CAB's Investigative division. One of those CAB officials was a number of years ago caught stealing carbons from the a waste baskets of the Air Transport Assn, which may indicate that CAB did not single out the non-skeds alone for criminal attacks.

Cal Air and Holiday were both organized to engage in both special purpose services which were needed and required essential skills not conventionally available to the contractors and to engage in basic low cost air transportation. That appears to have been their primary crime.

It is not possible in the brief amount of time allotted me to touch the mountain of deceit, fraud and inequities which were heaped upon the the Non-skeds or my two companies and myself as an individual for that could take days. The FBI and Department of Justice were actively brought into play by CAB employees to try to seek means of obtaining criminal prosecutions against myself and others for daring to fight back. In bringing to the attention of the President the inequities and his being sent a mountain of falsehoods, presumably some CAB personnel were also called upon the carpet for their stupid handling of the matter, but had earned me the undying emnity of the CAB and its professionals. Documents and facts which were filed in a court action have been submitted to this committee and will support ~~many~~ of the statements I have made here. There is still a mountain of evidence to be gathered and what I have touched

My two companies sought to give the consumer and traveling public what they have been clamoring for over the years as have been the shippers, reasonable and good service at low cost by a dedicated group of airline professionals. Our industry also did the same. We were able for a while to break the stranglehold grip on both air and surface government transportation controled by an operating monopoly and which is back in full force and effect today. We were perhaps too naive to pay tribute and tolls to those in power believing them to be honest and forthright civil servants and uncorruptable. We could not and it is hard even today to believe that the Air Force whom we joined and worked with at Berlin, at Korea and in places all over the world was so petty as to be envious of our successes and effort to augment and supply emergency airlift when desperately needed by this country. Rather than seeking to create lobbying organizations as did the certificated carrier group we engaged in hard and tough competitive battles with each other which successively brought ^{Down} the cost of air travel and air freight

continually so that aircoach transportation became a reality and so that the mass of the American people could afford to fly.

Our industry was pummeled continually in the press through CAB instigation and malicious statements as being unsafe, yet the industry as a whole operated for ^{5 to} 17 years with a perfect safety record. Accidents started as CAB moved into and barred economically profitable operations through manipulations of its power to create economic regulations. As the noose tightened by CAB more and more money was diverted to legal expense and legal survival then could be supported by the small operators. As a Result the air safety was impaired by some of them. The Board then would jump into the picture and accuse the carriers of being unsafe and irresponsible, knowing that it was the primary root cause. Equal Justice under the Law was not a CAB practice. Many operators by the late 1950's knew that they were on Kamikazi Missions and that CAB would soon be able to eliminate them. When Congress granted CAB massive powers over the destinies of such carriers, an industry which had been chopped in half in 1959 was in ~~1960~~ 1962 chopped in half ruthlessly by the CAB. This time the carriers did not even have the option of seeking judicial review. That was the equal justice doctrine of CAB.

The history of the industry was geared to low cost transportation. In the early 1950's when allowed to provide military charters they halved the costs of government transportation. The coach common carriers brought air fares down to the level that most could afford to fly and to even consider taking vacation trips by air. The supplemental non-skeds brought about and revolutionized air transportation. Traffic increased as a result of aircoach by the Non-skeds and the forced participation of the route carriers by over 5000 percent between 1946 and 1958. It precipitated what some call the Golden age of air transport. When the route carriers were seeking additional subsidy and alleging that the air travel market had peaked and would grow ever more slowly they were confronted with growth beyond their wildest dreams. As they were forced at first unwillingly into this market their tactics began a subtle change. Now the non-skeds were charged with skimming the cream off the air travel market and leaving the dregs to the airlines "that were forced to operate scheduled services whether they had passengers or not". Today it is evident that rather than skimming the cream those non-skeds were the catalysts which made the air transport industry blossom forth into gigantic billion dollar airlines and a multi-billion dollar aerospace industry. This was done in spite of all kinds of odds. New aircraft purchases were denied to us by a federal board based on Wartime allocations, despite the fact that Communist Countries could buy such aircraft. In fact the first new non-sked equipment was bought via communist acquired DC-6 aircraft purchases. The carriers were barred from airports. For years operating to New York we were confined to Teterboro, New Jersey until some forced their way into Newark and then LaGuardia, but always confined to the back alley areas of such airports. We were denied the use of Public Address systems and passengers beating their way to find us must of thought back to the days of trying to find a speak easy. CAA then the FAA now continually harrassed the carriers. It was not unusual to have your plane, passengers and baggage weighed enroute with a 6 to 10 hour delay and be tagged with a violation for carrying allegedly ten gallons more fuel then you were permitted. Aircraft were halted on runways in zero weather and passengers interogated as they froze. Yet passengers flocked to us since it was the cheapest way to

When called into support the United States on an airlift, and there were many, the carriers willingly abandoned their commercial passenger markets for the duration of the emergency or operated it with smaller equipment. When they returned to the commercial business the public still flocked back, usually because they had seen the regular carriers increase fares, which operated almost like a Tom & Jerry act.

Those carriers who survived through 1959 almost all possessed perfect safety records. It was an automatic kiss of death for a non-sked to have a fatal accident. Not many did, but the hysteria generated by CAB would have belied that fact in those days. Carriers such as Transocean forged new routes across the Atlantic and the Pacific. This carrier alone deserves some certain special recognition for without its mid Pacific bases the Korean Airlift could not have been supported and the issue as we know it could have resulted in a total defeat for the U.S. Forces. Non-skeds carried 70 percent of all the Berlin Airlift tonnage and 65 percent of all the Korean Airlift tonnage. Transocean alone accounted for 14 percent of that tonnage. Others contributed as well and without hesitation.

ref.
In 1973 during the Yon Kippur War the airlines were called upon to mount a civil airlift to Isreal. There reply according to a statement attributed to Secretary of State Kissenger was " Sorry, its bad for Business". That would not have happened years earlier, but even worse reflects the situation a government creates when it allows extortion and then spoon feeding of a select group of monopolists. Supposedly CAB's Supplemental Service Case was designed to certificate carriers who would serve as the augmentation arm of the government's airlift policy. Unfortunately not one of the pioneers was allowed to survive, let alone enter that proceeding. The Air Force of course was forced into the airlift with their questionable C5A aircraft, denied landing and refueling facilities in western Europe and forced to operate non-stop from the Azores to Lod Isreal with nominal payloads and at their maximum endurance. The Navy ~~of course~~ showed its ability and imagination which was dulled ^{by} the press releases of the airlift. That airlift cost triple what it should have and was forced again as a result of a conspiracy. *AS A RESULT AIR FORCE MAC CREWS WERE REQUIRED TO ENDANGER BOTH THEIR LIVES AND AIRCRAFT. WE MIGHT SAY " THAT WAS BAD FOR BUSINESS".*

The major carriers and CAB often contended that non-skeds skimmed the cream. The carriers were limited to ten trips monthly between major points while the certificated carriers operated up to 20 or 30 flights daily in the same markets. The real ~~cream~~skimming came only as a result of market forces and the public seeking out low cost transportation. It would be as if the Congress ~~was~~^{WERE} allowed to operate ten days a month or ~~as~~^{SIMILARLY} a grocery store. Yet that was the cream skimmer. Only a few operated what were called combined operations using several CAB authorizations to produce daily service. Even there frequency seldom exceeded one round trip flight a day.

The CAB combining with CIA and MATs which I have already covered acted as the final straw. The carriers were racked continually by the CAB and the FAA. *delete* I have been informed in the regard that an FAA Administrator made calls to his local air carrier officers allegedly demanding that the air carrier FAA Inspectors use any method at all to find ways to ground the supplemental non-skeds under their jurisdiction. Im told that the majority refused the Administrator who was outraged. Such were the conditions under which the only free enterprise segment of air transport was required to operate. CIA sought to sell off Southern Air Transport. *delete* ^{IN 1973.} The carriers which had benefited from its existance in a demonstration of biting the hand that feeds you attacked in the CAB and destroyed the company. There are however substantial indications that CIA is still in the Supplemental airline business and means to stay there. In 1975 they allegedly sought to move in on a small contract and of course CAB paved the way. Currently they are alleged to be attacking the business of non-CAB regulated carriers. CIA of course denies this. Facts concerning that in part are included in the exhibits presented to this committee. |

The Non-skeds such as CAL Air and many others pioneered aircoach. *delete* For doing so we were blown out of the sky in a planned program of OFFICIAL Administrative Genocide operated by the Civil Aeronautics Board at the instigation of the certificated scheduled airlines and though a conspiracy of a few Supplemental Operators engaged in extortion as well as milking the government for contracts.

I should not close this portion of my statement without commenting on some of CAB's doctrines which are unwritten sanctions to be applied whenever a situation presents its self.

There is of course the doctrine of guilt by Association and you will hear much of that before these hearings are concluded. Those sanctions have been applied to every non-sked operator. If this Committee expects to go into air transportation it is also now tainted with the Guilt by Association Doctrine.

There is CAB's doctrine and advocacy of the Ends Justifies The Means even if the means is Aerial Hijacking. In 1975 CAB not only advocated such tactics, but appeared ready, willing and able to hi-jack an aircraft in international flight. I refer specifically to Air Europe which CAB sought to and did destroy through the use of statements given to the media based on 1st amendment privilege. This country laughed in the 1950's when ~~it~~^{Hijacking} happened to the communist states and it was their planes and pilots getting shot and hijacked. Today every air traveler is obliged to pay for that serious miscalculation. CAB would appear however to have no qualms about doing so, despite its odious nature.

Then there is CAB's Doctrine of unreasonableness. This came about when it allowed Delta to merge and acquire Northeast and with that the lucrative New York - Boston to Florida routes. It was unreasonable Delta claimed and CAB agreed for Delta to have to operate the Northeast routes that lost money. New England would have been left with no service except for Senator Ted Kennedy who forced CAB to backtrack a little. So CAB created the first new local service carriers since the 1940's, Air New England, arranged for it to be subsidized which it is and the result is that Delta has the lucrative routes, New England became an airline without the lucrative routes and the taxpayer gets to pay another 3 or more million dollars for subsidy payments. That's how CAB manages the public interest.

CONCLUSIONS & RECOMMENDATIONS:

As a class of airline we served our country, the national interest and the public well. We were barred from conventional financing and at the mercy of unscrupulous money lenders. We payed double the average cost for maintenance, parts and services, including fuels. In spite of all that we drove down fares. We were illequipped to contend with the CAB for we had not been adequately trained in deceit. We were not able to pay deferred bribery to protect our positions like others. We did not reap windfall profits through connections as Continental and Flying Tiger are alleged to have done with their bogus airlines. We were hardly able to put the Rockefeller's on our Board of Directors as the CIA did with its airlines. We couldn't and didn;t seek to bribe our way to certificate authority. We earned it in the market of competition in spite of all the pitfalls, only to be time and again denied through CAB's deceit. We are not alone however. Pan Am who was one of our most savage enemies appears to be reaping the wild wind today as a result of CAB. It has lost its dominance with the secret bartering of its routes to pay off as has happened with the alleged Micronesia award and U.S. to Japan routes. Where else have its routes been bartered without its knowledge, to constitute additional bribery?

The Military Airlift Command appears to have enjoyed its role in eliminating a class of air carrier to which it was grudgingly forced to turn for help and to make possible a conspiracy and monopoly of its contract business. Its capabilities are still in serious question as a result of the Yom Kippur War. Its own Commanding General has reinforced the questions of its capability in the event of a war.

FAA with its inane regulations which today require a trained lawyer in the cockpit has been a willing fellow traveler as years have passed to aiding in the deceit. FAA had to willingly go along with the Tiger Air Service part 91 violations. Charged with ^{AIR}safety it is more adept at politics.

CAB and its people have contributed to the chaos of air transport as well as played a significant role in stamping out free enterprise.

They have advocated the economic~~s~~s of scale improperly, and have raised fares beyond the reach of the mass of Americans. They have contributed to and participated in a massive scheme of fraud and conspiracy which have cost the taxpayers billions of dollars and cost air travelers billions in overcharges each year. They have not regulated

The Military Airlift Command should be relieved of its power as a single manager of all air transportation contracts and the management of such contracts should be returned to the individual commands for control and awarding to civil carriers. Contingent to this the MAC domination of all airlift operations for all military airlift for other Armed Forces should be disbanded and Navy and Army allowed to reactivate their heavy lift organizations. Navy's Fleet Logistics Command and original NATS organization was effective and supportive of the needs of the NAVY. Army as well should not be required to go hat in hand for its major logistics requirements. All such commands should be required to interface their personnel and facilities and equipment with civil carriers to provide a ready and well coordinated force able to respond to national emergencies, but under a unified command concept during such emergencies. Billions of dollars worth of trained civil/military pilots exist as a major national resource which can be both cost effective and highly motivated in times of peril,

There are several proposed forms of legislation which are being discussed. CAB has made proposals, some of which proposed a new role for the Supplementals. Senator Kennedy has proposals which would deregulate and defang the CAB. The Administration has also made recommendations for legislation for which its support is less than lukewarm. I have reviewed portions of those proposals. CAB's is a trap to finish off the existing Supplementals now. It lays them open to being forced to become part of the certificated carrier network, which the sheer economic power of such carriers would act to gobble them up. CAB would allow the majors to form their own supplementals, a powerful economic lever which through their economic size would allow them to defeat the existing carriers in the field.

The Administration proposals do not really seek to deregulate the CAB and would result if enacted into ~~rather~~ patchwork quilt of later legislation which would have to remedy many of its failings and in all likelihood result in more chaos than we have today, if that's possible.

Senator Kennedy has made proposals which are the most realistic, but do not go truly to the heart of regulation versus deregulation in the free enterprise system .

The Acts of 38 and 58 bare flaws which may defy legislative remedy. Both Acts were sound and fair legislation, contrary to my stated opinions of the CAB. The flaws in the acts were that they are administered by men, personalities if you will. As such they were able to and did operate contrary to the legislative commands contained within the acts. It was a combination of personalities and clashes that destroyed Cal Air and which is evident in what's happening to Pan American today. The Acts were inherently good, but administered by people who had other axes to grind, whether by design or in misguided zeal to follow their interpretation of the law. The method of appointment of CAB Members is another sorry point of contention. CAB like many federal commissions and Boards is essentially a Retirement farm for people who have served their respective parties, mostly in the lower echelons. In addition the CAB staffs are primarily attorneys as are many of the members. Almost none of these people have any inkling or experience in the industry they are appointed to regulate. CAB regulations come out in such legalese that even CAB personnel are at times hard pressed to tell you what they are supposed to state. FAA with its aviation regulations is about three ~~degrees~~^{TIMES} worse. The various legislative proposals do not indicate any thrust to alter that factor. The Congress also works under such limitations for its virtual impossibility for legislators to be totally conversant in the fields where they seek to enact legislation and must rely extensively on outside inputs, yet the job must get done and is done, sometimes badly as with Public Law 87-528 and sometimes magnificently, with excellent legislation. I would seriously recommend a hard review of both the 1938 and 1958 Acts with a view to removing some of the more restrictive covenants, a legislated selection process for CAB Members and rather than CAB employees flowing to those they regulate a reverse flow to obtain some of the massive talent and expertise possessed in commercial aviation. Guidelines and a balancing of people from various industries and a review board of civilians could maintain the oversight required to insure that such activities were not overweighted against a carrier or a class of carrier.

I would recommend that the airlines anti-trust immunities be ~~disregarded~~^{CANCELLED}. That charter airlines not be required to obtain a certificate

to engage in such transport for its ridiculous on its face to assume that such carriers are a public utility such as gas line or the telephone company to ^{BE}regulated to within an inch of their life. I would recommend that former non-skeds as well as the existing supplementals be made into Limited Scheduled Carriers with a prohibition of not more than 20 be allowed to engage in scheduled services and that legislation limit such carriers to not more than two trips daily in any selected market. That free entry ^{TO LIMITED SCHEDULED} be permitted from charter operators as market forces dictate. The scheduled limitation would be required to bar such carriers from ganging up on any individual trunk carrier and I would further require that no more than 5 such carriers be allowed to operate a total of more than 20 percent of the existing schedules in any given market. This effectively would protect the trunk carriers investments in their routes, but would also force realistic management planning, cost control and the reduction of fares to a reasonable level.

Secondly I would propose that such limited scheduled carriers be by statute required to operate a mixed fleet on a ratio of 50 - 50 or 60 - 40 of large aircraft to smaller aircraft in such services to insure that low cost fare developments are not confined to the long haul markets but are directed into the overpriced short haul markets where there is virtually no competition. Subsidy should be eliminated, probably with a 3 year cut off period. Subsidy will never be eliminated as long as CAB may parcel it out while carriers continue to expand their service and continue to expand their reasons for requiring it. The cutoff to the Trunks saw the greatest era of expansion in aviation history. There is no reason today to believe that with a balanced and well tuned industry ^{DEDICATED} ~~dedicated~~ to serving mass air travel needs that growth should not again double, and again double, and double after that. We have a virgin market, despite the cries of doom by the certificated carrier spokesmen.

Lastly I would create a civilian impartial control Board to whom appeals can be made which comprises the public sector and consumers as well as people within the industry. Appeals should then go to the Courts. Another imposition I would included would be the use of a neutral arbitrator to whom appeals could be made, but to whom any demand for revocation could not be confirmed, that status I would relegate to the judicial system. On all non-revocation matters the review Board

Given the facts of Non-sked industry history and inherent interest and desire of people to engage in this business I would neither hesitate nor do I believe that the reactivated non-sked industry would hesitate to once again operate as we did in the past. Each year we have many thousands of people seek to obtain pilot licenses as well as seek to go to work for airlines. Yet less than a bare fraction of one percent are able to obtain such employment. This is a massive resource and it is not peculiar to air transport alone for it happened with the railroads, steamship lines and the trucking companies. There is a massive national interest in working for transportation companies.

There will always be capital available to start airlines from both the private sector and from conventional institutions. While admittedly the costs of startup today are fantastic, each year there are hundreds of small airlines in the form of air taxi or commuter services started ~~and~~ ^{BUT} there is a fairly high failure rate as well.

I would suggest that the program for government guaranteed loans be spread to the limited scheduled class I have discussed and to the commuters for a period of 4 to 5 years based on individual needs and the public interest, but not on any giveaway loan basis. Such loans would be operated through banks as are SBA loans today. I think in the former Non-sked industry this would be a needed asset since their operations would be directed to low cost services with a much more modest profit factor. I would rate the loans at the current interest rates for commercial loans. I would condition such loans on a forgive and forget basis of the past and conditions that such carriers will forgo any suits for damages against the government, ~~or other parties.~~

I have brought along a clipping incidentally which shows that ^{Congress} ~~Congress~~ proposes special charter rates for senior citizens. The inducement to low cost common carriage service would virtually nullify all the regulations, restrictions and wasted energy of the CAB and others since it is academic that low cost fares are what is wanted and what is needed and should be made available. The charter restrictions fail to comprehend human nature and will continue to be subverted until such time as transportation costs are priced realistically and honestly by market forces and good common business practice, rather than by a closed cartel.

I will close my statement with the following comments which are directed at the CAB.

It was and is not my purpose to see the CAB destroyed or eliminated as some of the rasher proposals would do. The CAB has in part served well over many years despite its prejudices and questionable activities. CIA has also served well as well as badly. CIA is a mixed bag, but other than some rather stupid mistakes has also behaved rather admirably in many situations. We know of the mistakes, but we will never know of many of the successes. Their part is mitigated I am satisfied though I would say they better get out of the airline business and stick to spying. It has to be much more rewarding. My comments with regard to the Military Airlift Command are I think valid but should not reflect on the operational commands engaged in day to day flight operations, for that is not where they are directed. MAC possesses an ego problem as well as an identity question. Its domination and control over all civil and military airlift has been abused substantially by its managers. It along with Navy and Army have serious missions to perform and playing games with civilian airlines should not be one of them. Navy has a need for its own transport arm, which MAC does not fully supply. A sweeping change in attitudes is required by both military and civil aviation to best serve this nation. It was a nation founded upon the basis of a civil military relationship if not partnership. That should be reborn again.

CAB is an agency dominated by lawyers and in recent years we have found many of the profession wanting in judgement and willing to abide by the law of which they are presumed to be the custodians of. It has been unfortunately many of the law and order people ~~who~~ have been found in recent years to have hollow legs. It may be a sign of the times, but it has no place in civil aviation. If we are ready to accept nationalization of air transportation we need do nothing for it will come as inevitably as death. It is time for the CAB to grow up to its responsibilities for its resources can be applied to the general good. It is also time for those in government to come to the realization that when they make mistakes or their predecessors made grievous mistakes that the world will not fall in if they move to seek a remedy.

17 years ago I informed the Board they had made a mistake. They ~~again~~ doubly in 1964 and 1965. When brought

to the attention of the Chairman of CAB's Special Counsel and
and special assistant, Howard Cohen, A meeting ^{was} arranged in July
of 1975 at the insistance of Congressman Rees, ^{IT} resulted in Mr. Cohen
asking for documentation and time to review the data and ended
with him stating that he would personally contact me within a few
weeks of receipt of the documents and discuss what action could be
considered. Having never heard from Mr. Cohen I presume his answer
was lost in the mail. A week after I sent the data to Mr. Cohen the
Chairman of the Civil Aeronautics Board, Mr. John Robson, wrote
in answer to a letter I had ^{SENT} to Senator Warren Magnuson concerning the
evidence and the charges concerning CAB. The Chairman's letter was

belittling and professed among other things that "with
all candor" the CAB's 6 page memorandum to the President, which I was
seeking a copy of "did not exist" inferring that I was a crank, if
not paranoid and disclaiming any knowledge of any CIA-
CAB " black conspiracy, ~~his words~~ and are included in the
exhibits submitted to this committee. The Chairman's letter is merely
a sample of the demonstrated arrogance of dealing with the CAB. Like
the Watergate characters CAB chose to "stonewall it". Never admit to
any mistake since the complaining party is powerless to do anything
about it. It is just such demonstrated arrogance on the part of such
officials which has ruptured the faith in our democratic principals
and in the integrity and honesty of such officials.

When I talked with the Board I made a single basic demand which
I will repeat here again, I asked for
the return of California Air Charter's certificate. Until such time as
the CAB returns that authority this battle will continue. When it is
legally restored the battle will end, at least on my part. I will
continue as long as it takes to achieve that one single stated
demand.

Air travel, allegedly peaked, will multiply by a factor of 5 to
10 if low fares are allowed again in the market. It cannot happen unless
realistic and honest competition is allowed to act upon the demands that
are pent up by millions of American's foreclosed from travel because of
cost and rampant inflation. Air Commerce and lower fares are a most

A starter toward that would be for President Ford to review the evidence of what has taken place within my industry and if he is satisfied as we that we were convicted wrongfully to rescind the 1961 Presidential letter cancelling our international Letter of Registrations and to reinstate them. I believe we are able now to handle CAB for our domestic rights, or will be. Such a restoration is the American Way, but will also open the door to a new surge of air transportation benefits which the public is demanding and to which the CAB response has been charter and restrictions.

If drastic changes are not forth coming soon AIR TRAK will become a reality. If I were allowed to rejoin as a scheduled non-sked, I can tell you here today I would not forecast that air travel has peaked. I would say that there is a virgin market out there and we will through low fares and hard selling get traffic to increase 5 fold. We will buy new American made aircraft, still by far the best in the world and we will quadruple the tourist traffic. Take the leash off air transport and let it get to work. Millions of Europeans would like to come to this country but can't. Let us go show them how they can get here, and enjoy spending their tourist dollars here for a change, foreign exchange we can use. The oil embargo and subsequent prices have not affected the cost of air service as much as many proclaim. We have not begun to scratch the surface of the uses and the growth of air transport. We have barely begun to explore all the new technologies that will make air the only way to travel. There lay before ^{us} many new methods of travel of which men have only dreamed but will soon arrive. Progress means expansion and growth. Are we so hesitant to halt growth through free enterprise that we assume it to be an evil. The new growth is not only possible, but it has been banging on the bars shouting low fares, low fares. CAB had heard the cries, but has acted as if they were not there. It choses to answer this cry with charter flights, restrictions and innane regulations seeking to protect those who give it its bread and water. Its time to put a stop to it.

That concludes my testimony and I shall be happy to answer any and all questions that you may wish to put to me. Thank you.