

STIPULATION PROCESS FAILS IN NORTH AMERICAN CASE.....DATED JANUARY 27, 1954

Efforts to utilize a stipulation method in lieu of public hearings in the North American Airlines Enforcement Case have fallen through, it was learned at CAB today. As a result, Examiner William F. Cusick has ordered hearings to begin on February 1 for one week in Washington, and to reconvene on February 11 in Los Angeles.

The case is thus substantially at the ^o same point, procedur^{al}-wise, that it was last June, when through a series of court actions, North American prevented the Board from proceeding with hearings. The stipulation method was then agreed to when the courts ruled that CAB was within its powers in holding the hearings.

In a notice to parties, Cusick indicated that a preliminary stipulation was entered on September 30, 1953. North American reportedly never agreed to matters to be stipulated. On January 19, according to Cusick, the office of Compliance advised by letter "that it will be impossible for the parties to conclude an agreement which would obviate the necessity for formal public hearing as was contemplated in the preliminary stipulation."

Case involves an enforcement complaint aimed at suspension or revocation of North American's letter of registration.

CAB CALENDAR: Feb. 1 -- (Docket 6000) Hearing in North American Airlines Enforcement Case 10 AM, Room 310, Temporary Bldg 5, Washington, D. C. Examiner William R. Cusick.

NORTH AMERICAN ABSENT AS ENFORCEMENT HEARINGS OPEN.....DATED February 1, 1954

Hearings in the North American Airlines enforcement case opened in Washington today minus the respondent--North American. The non-scheduled airline's counsel, Hardy K. Maclay, sent a representative to the hearings to announce that Maclay "can't make it today." As a result, CAB Compliance Attorneys Robert M. Johnson and John F. Wright began presentation of an unchallenged case which seeks revocation of the letters of registration of the North American carriers for "knowing and willful" violations of the Act.

Maclay had asked postponement of the hearings claiming the date conflicted with his participation in another CAB proceeding, the Air Freight Forwarder Case. His request was denied by CAB Examiner William F. Cusick and an appeal of that denial is currently pending Board action. But the Board, in the absence of a final ruling, instructed Cusick on Friday to proceed with the hearings scheduled for today.

Meanwhile, Maclay has amended his postponement request by filing a new "answer" to the original enforcement complaint against North American. This was filed January 28 and, according to Maclay, should shorten the hearings by "five or six weeks." The Compliance Attorneys, in answer today, said "the saving in time would be as little as three days and not more than five days."

Technically, the hearings today were a resumption of hearings which ran for one hour last June 23d before a civil court action interfered.

*Sandy thought you & AAs would be interested... etc.
these are from the American Aviation 2/1/54*

Mike:

Hearings in the North American Airlines Enforcement Case were "recessed indefinitely" this morning by CAB Examiner William F. Cusick. The abrupt ending came as CAB's compliance attorneys were in the third day of their unchallenged presentation aimed at revocation of the North American letters of registration.

Cusick ordered the recess on the basis of "information" he had received. There was considerable speculation that the Board had finally ruled on North American's motion to postpone hearings, thus causing Cusick to recess for the time being. Unofficially, the DAILY learned that three weeks will be granted North American to obtain and prepare counsel for the case.

DAMAGING TESTIMONY GIVEN

Hardy K. Maclay, North American counsel, had not participated in the hearings, claiming they conflicted with hearings in the Freight Forwarders Case in which he represents another client. As a result, an apparently damaging case has been unfolded against the non-scheduled combine by compliance attorneys Robert M. Johnson and John F. Wright during the 2½ days the case has been in session.

Yesterday afternoon, the second subpoenaed witness appeared to testify to his selling his letter of registration for Twentieth Century Airlines to the North American group for \$1. and other considerations four years ago. The witness, Glenn O. Shaver, is now a pilot for Ozark Airlines. Shaver said he contacted Stanley D. Weiss, a respondent in the enforcement case, to sell the letter but that Weiss said he was not interested in buying but an Edward McAndrew was. McAndrew is now listed as president of Twentieth Century. When confronted on the stand with a picture of McAndrew, however, Shaver was unable to identify him, stating "I didn't pay much attention to him; I dealt with Weiss."

Asked if he didn't think the letter he sold wasn't worth more than the \$1 and "considerations," Shaver said, "I didn't until this morning when I realized I made a bad mistake." His reference was to earlier testimony of another subpoenaed witness who said Jack Lewin, another respondent in the case, had arranged to pay \$54,000 for the letter and stock of another non-sched--Unite Export Co.

Tomorrow (Feb. 4) will be "airline day" at the U. S. Court of Appeals, District of Columbia Circuit, with stay petitions in two major CAB cases being argued. One involves petitions of Eastern and Pan American for a stay of CAB's recent exemption to American which authorizes New York-Mexico City non-stop services. The other is North American Airlines' bid to block a CAB cease and desist order against further use of the word "American" in its business name. Both CAB decisions have been voluntarily held up pending outcome of the Court Actions.

Mike

A Coral Gables (Fla.) attorney, appearing under subpoena, today detailed his role in negotiations which led up to purchase of a non-scheduled airline by North American Airlines group. The witness, Ben Essen, said he was retained by Jack Lewin, a principal of the north American group, to purchase stock of Unit Export Company without "revealing Lewin's part" in the deal.

Essen appeared as CAB's Compliance Attorneys Robert M. Johnson and John F. Wright developed their case, unopposed, at hearings in the North American Enforcement Case. For the second straight day, North American was not represented at the hearings. As a result, the compliance attorneys through this morning's session had entered 85 exhibits as evidence. North American's counsel Hardy K. Maclay has refused to participate in the hearings, claiming conflict with another proceeding. His motion to postpone the hearings is pending a CAB ruling.

Tired of "Fighting off Creditors"

Essen said he received six checks totaling \$33,500 from "Jack Lewin or his company." He identified photostatic copies of several of the checks as "perfect facsimiles." The money was for the purchase of the stock of Unit Exports, Essen said. He valued the stock at \$54,000, made up of \$1,000 cash value and \$53,000 in debts. The money received from Lewin was used to pay Unit's creditors. Essen said he "quit" last month because he was "doing nothing but paying their bills and fighting off creditors."

The subpoenaed witness testified that Unit was located at the 36th Street Airport in Miami when he first entered negotiations, but is now located at Lockheed Air Terminal in Burbank, California. Essen produced check stubs of money spent by him for Lewin in the purchase of Unit, but said the canceled checks were sent to Lewin.

One Dave Goldberg was head of Unit, but the stock was held by Aerodex Corporation, to which owed \$8,250. Essen said he paid off that debt and the stock was placed with Goldberg's attorney, a "Mr. Fuller," where it is now in escrow. But ownership and voting rights to it are in the name of Richard Simmons who, Essen thought lived in California and was connected with Mr. Lewin.

Unit is not named in the enforcement case as a respondent but Johnson, compliance attorney, told Examiner William F. Cusick the evidence is submitted to indicate "continuing violations" by the North American Group.

Another installment.

Mike

SALES CONTRACTS

CAB ADJOURNS NORTH AMERICAN HEARING, CENSURES LAWYER.....Dated February 4,

CAB today granted a three-week adjournment of hearings in the North American Airlines Enforcement Case, but censured counsel for the carrier for not being in position to participate in the hearing. Board said that North American counsel "either was wilfully negligent or was not acting in good faith in failing to provide that he or other counsel would be available to try" the case.

The carrier was given one week to "obtain counsel" and two weeks thereafter to prepare for resumption of hearings. Although grounds supporting a postponement request, furnished by North American Attorney Hardy K. Maclay, were deemed "insufficient", CAB said the "seriousness" of the charges against the carrier warrants granting of an opportunity to secure "other counsel"

NORTH AMERICAN STAY PETITION TAKEN UNDER ADVISEMENT.....Dated February 5,

U. S. Court of Appeals late yesterday took under advisement arguments of North American Airlines' petition for stay of a CAB order which prohibits use of the word "American" in the non-scheduled group's business activities. Hardy K. Maclay argued for North American, with Howard C. Westwood presenting the opposition to the stay on behalf of American Airlines. CAB took no position on the stay. The cease and desist order against North American has been voluntarily stayed by CAB pending the Court's decision.

NORTH AMERICAN AIRCOACH TRAFFIC ANALYZED.....Dated February 5,

The North American Aircoach System flew 200,603,495 passenger-miles in the first nine months of 1953, 66.9% of which were between four pairs of cities, according to analysis of traffic made from reports filed with the CAB. The passenger-mile figure is unduplicated and does not include military movements.

The four pairs of cities between which the North American group did two-thirds of its total business were Los Angeles-New York, Miami-New York, Chicago-New York, and Los Angeles-Chicago. Total for the four was 134,285,433 passenger-miles.

Between the same pairs of cities, the group carried 91,833 passengers, or 72.2% of its total of 127,116.

COMPARISONS WITH BIG FOUR

An analysis of distance distribution, comparing North American for the nine months with American, Eastern, TWA, and United for September 1948 and March 1949, combined, shows that 32.1% of the Big Fours passenger-miles were between 0 and 600 miles, while the non-sked group had only 0.1% in this category. Between 0 and 1000 miles, the Big Four did 52.5% of its business against North American's 8.7%. The Big Four's distribution may be somewhat different now, since inauguration of coach flights.

Of North American's total passenger-miles, 17.1% covered travel between 1101 and 1200 miles, 15.5% were 1701-1800, 28.5% were 2401-2500, and 15% were 2501 to 2600. Principal city pairings included in these mileage categories are New York-Miami, Los Angeles-Chicago, Los Angeles-New York, and Oakland-New York, respectively.

North American's average length of haul was 1578 miles. Domestic trunklines average 528 miles. Domestic coach alone is 1080 miles.

Analysis of the non-sked figures includes those of Hemisphere Air Transport, Twentieth Century Airlines Inc., Trans-American Airways Inc., Trans-National Airlines Inc., and Unit Export Co., Inc.

NON-SKED INVESTIGATION REOPENS WEDNESDAY.....Dated February 9, 1954

Hearings are scheduled to resume tomorrow (Feb. 10) in Los Angeles in CAB's revised version of the Large Irregular Air Carriers Investigation. A Postponement motion filed by United Air Lines last week was denied yesterday by Examiner Ralph Wiser because "the reasons stated did not justify the requested postponement."

Under CAB's revised procedure, in which only "general public interest" presentations will be heard, the Los Angeles hearings are expected to be completed within two weeks. Non scheduled lines slated to be heard there are World Wide Airlines, Airline Transport Carriers, S.S.W., Inc., Standard Air Cargo, Stewart Air Service, Aviation Corporation of Seattle, and U.S. Aircoach.

On February 23, the Seattle, Wash., session will open with Alaska Airlines and Pacific Northern appearing as intervenors and the following as applicants: Air Cargo Express, Air Transport Associates, Arctic-Pacific, Arnold Air Service, General Airways, Johnson Flying Service, Sourdough Air Transport, and Trans-Alaskan.

MARCH SESSION IN WASHINGTON

In March, another Washington, D.C., session will open. Leading off, according to Examiners will be witness Max Tendler, publisher of Air Traffic Digest, who will appear on behalf of Great Lakes, Currey, Monarh, and California Air Charter. The North American group of carriers, originally slated to be heard in California, will also be heard in Washington.

Meanwhile, United Air Lines today asked CAB to reconsider its January 20 order changing the procedure in the case. United said it "endorses any proper and lawful steps" to expedite the proceeding, but "submits that the procedure of CAB's will delay, rather than expedite the proceeding, further, United doubts the legal validity of the CAB action, claiming that "evidence of violation of the Act relate not only to fitness but the general issue of need." Under CAB's revised procedure, "fitness" issues for remaining carriers will be sidetracked.

Mick

SALES & BOND

Following is a ranking of the first 24 citypairs of North American, by number of passengers and passenger-miles:

RANK	CITY PAIRS	# OF PAX	RANK	CITY PAIRS	REV. PAX MILES
1.	Miami-New York	14,257	1.	Los Angeles-New York	32,912,550
2.	New York-Miami	14,020	2.	New York-Los Angeles	22,250,250
3.	Los Angeles-New York	13,298	3.	Los Angeles-Chicago	16,233,521
4.	Chicago-New York	12,354	4.	Miami-New York	15,682,700
5.	New York-Chicago	11,251	5.	New York-Oakland	15,660,600
6.	Los Angeles-Chicago	9,271	6.	New York-Miami	15,422,000
7.	New York-Los Angeles	8,990	7.	Chicago-Los Angeles	14,694,392
8.	Chicago-Los Angeles	8,392	8.	Oakland-New York	11,687,400
9.	New York-Oakland	6,070	9.	Chicago-New York	8,944,296
10.	Oakland-New York	4,530	10.	New York-Chicago	8,145,724
11.	Oakland-Chicago	2,537	11.	Oakland-Chicago	4,708,672
12.	Los Angeles-Dallas	2,246	12.	Chicago-Oakland	3,791,808
13.	Chicago-Oakland	2043	13.	Los Angeles-Dallas	2,796,270
14.	Dallas-New York	1,238	14.	Los Angeles-Washington	1,946,385
15.	Dallas-Los Angeles	1,068	15.	New York-Dallas	1,709,678
16.	New York-Dallas	1,003	16.	Los Angeles-Detroit	1,625,250
17.	Los Angeles-Kansas City	978	17.	Washington-Oakland	1,509,000
18.	Kansas City-Los Angeles	915	18.	New York-San Diego	1,425,926
19.	Los Angeles-DCA	835	19.	New York-Dallas	1,385,143
20.	Detroit-Los Angeles	825	20.	Los Angeles- MEXICO MKC	1,337,904
21.	New York-Kansas City	810	21.	Dallas-Los Angeles	1,329,660
22.	Kansas City-New York	675	22.	Kansas City-Los Angeles	1,251,720
23.	Dallas-Washington	619	23.	Washington-Los Angeles	1,062,936
24.	DCA-Oakland	600	24.	Oakland-Washington	1,021,090

Mike Keene

SALES & SERVICE

MILLER RESIGNS NON-SKED PUBREL POST.....February 15, 1954

Stanley D. Weiss, president of North American Airlines, today announced acceptance of the resignation of Tom Hall Miller, Washington public relations council for the non-scheduled group. Pending since January 1, the resignation is effective today.

NORTH AMERICAN GROUP SPONSORS CONGRESSIONAL NEWSCAST.....February 16, 1954

North American Airlines, irregular air carrier group, is now sponsoring a 15 minute evening new broadcast on Congressional doings over local Washington station WMAL at 7:15 p.m., Monday through Friday. The show is called "Meet Your Congress" and is done by newscaster and commentator Gunnar Back. North American Airlines took up the program last week and has scheduled it as long as Congress is in session as a public service project, a company official said today. It was reported that a three-page synopsis of the program is made available next day to each Congressman and Senator.

L. A. HEARINGS END IN NON-SCHED INVESTIGATION.....February 17, 1954

The Los Angeles session of hearings in CAB's Large Irregular Air Carrier Investigation concluded yesterday as CAB's "expedited procedure" resulted in less than four days of hearings for five carriers. Actually, non-scheduled and scheduled lines alike had objections to the new procedure, as little or no testimony and cross-examination was received in the record. CAB has ordered remaining applicants' cases to be held to issues of "general public interest" with such matters as fitness, past violations, etc., not admissible.

Carriers "heard" at the recent Los Angeles session were World Wide, S. S. W., Inc., Standard Air Cargo, Airline Transport Carriers, and Stewart Air Services. A sixth carrier scheduled for Los Angeles, U. S. Aircoach, has transferred its case to a later Washington session. World Wide, claiming it was denied "full and fair hearings," has wired CAB that it will ask reconsideration of the order setting the new procedure. The hearings are scheduled to open in Seattle on February 23.

The show is for Mon. Tue + Wed of this week... as you know "The Daily" runs two days late... in other words 'didn't want you to think I forgot about you.

MKE

NAA ENFORCEMENT CASE RESCHEDULED FEBRUARY 25.....Dated Feb. 10, 1954

Hearings in the North American Airlines Enforcement Case, postponed for three weeks by CAB to give the non-scheduled group time to secure counsel, have been rescheduled for February 25 by CAB Examiner William F. Cusick.

The hearings ran for one hour in Los Angeles last June, and 2½ days in Washington last week, being interrupted both times by legal maneuvers of North American counsel Hardy K. Maclay. Cusick said the resumed hearings will run from February 25 through March 5 in Washington, and move to Los Angeles on March 10.

ATA OFFICIAL DISCUSSES REGULATED AIR TRANSPORTATION.....Dated Feb. 10, 1954

Stanley Gewirtz, assistant to the president of the Air Transport Association today, told how much easier and relatively inexpensive it is to operate a large irregular or non-scheduled airline that it is to operate under the regulations which the Civil Aeronautics Act imposes on the certificated air carriers.

Gerwitz's speech, entitled "Air Transport Regulation: What's in it for You--the American Public?" was delivered at an Aviation Writers Association luncheon in Washington and was intended, he said, to clear up some of the "propaganda" and misconceptions that have gained wide circulation on this particular subject. Head table guests, seated side by side, included Earl D. Johnson, new president of ATA, and ex-Senator Joseph C. O'Mahoney, who is counsel for the North American Airlines non-sked group.

The ATA official cited numerous figures and statistics to show (1) the cost to the certificated airlines of complying with Civil Air Regulations which the non-skeds are permitted to ignore; (2) how the scheduled lines last year paid the government \$345 million in taxes of various kinds while receiving Federal "doles" totaling \$141 million, including \$54 million from service mail rates, \$75 million in subsidies, and \$12 million as their just payment for use of the Federal Airways; and (3) how the scheduled airlines operate in a highly competitive market while the non-skeds can pick and choose their markets.

NORTH AMERICAN MAKES SETTLEMENT OFFER.....February 19, 1954

North American Airlines this afternoon proposed settlement of the CAB enforcement case against it by offering to surrender the letters of registration of four non-scheduled lines in the group when CAB decides certificate applications pending in three current route cases.

Three cases are the New York-Chicago Case, in which hearings have been held, and the Denver Service Case and Additional Southwest-Northeast Case in which hearings are scheduled to start in April. North American's certificate applications have been consolidated in all three cases.

The group faces revocation of its letters of registration in the enforcement case in which hearings are set to resume February 25. Its offer today is to surrender the letters either (1) after CAB denies its applications in the three route cases, or (2) after CAB grants its application in one of the cases.

fish?

NORTH AMERICAN AIRLINES RETAINS HENDERSON,.....Dated February 24, 1954

Laurance G. Henderson, former staff director of the Senate Small Business Committee, has set up as an economic consultant for small business and opened a Washington office in the National Press Building. Henderson said today he presently has three clients--World Wide Broadcasting Co., North American Airlines, and Skarda, Inc., of El Monte, Calif. He is handling various aspects of the private international broadcasting services for World Wide. He has been retained by the North American group, Henderson said, primarily to handle negotiations with respect to an international operating agreement now under discussion.

NORTH AMERICAN ACCUSED OF TRYING TO "BUY TIME".....Dated February 24, 1954

CAB's office of Compliance has termed North American Airlines' "Proposal for Settlement" (Daily, Feb. 19) "the latest move in a long series of legal maneuvers designed only to "buy time" for continued operations in violation of the Act. Claiming North American offers to "give up nothing" Compliance Chief Robert L. Griffith urged the Board to reject the settlement offer.

"In reality," Griffith charged, "it is not an offer of settlement at all." He said North American would "have the Board shut its eyes to the knowing and willful violations, and condone a continuance of the illegal operations, which, he added "siphon and divert traffic and revenue from certificated carriers and other large irregular carriers alike."

Referring to North American's proposal to surrender its letter when CAB acts on pending certificate applications, Griffith said the letters would terminate automatically if a certificate is granted and "if the Board should deny the application...the surrender for cancelation of their letters...will not necessarily assure the cessation of unlawful operations by the "North American Management."

Hearings in the controversial case are scheduled to resume in Washington Thursday, February 25.

EVIDENCE RULED ADMISSIBLE OVER NORTH AMERICAN OBJECTIONS.....dated February 25, 1954

Evidence designed to show "continuing violations" by North American Airlines group of non-scheduled carriers was ruled admissible by CAB Examiner William F. Cusick today as hearings resumed in the North American Enforcement Case.

Cusick's ruling, over the objections of attorneys Hardy K. Maclay and Jacob F. Adelman, stemmed from evidence brought out by CAB Compliance Attorney Robert M. Johnson that Unit Export Company, a large irregular carrier, has been acquired by the North American group. Other carriers now considered in the group and named respondents in the present case are Twentieth Century, Trans-American, Trans-National and Hemisphere.

Maclay and Adelman said the case should not concern alleged violations after March 12, 1953, date of the enforcement complaint which seeks revocation of the carriers' letters of registration. J. A. Hamilton, an enforcement investigator, testified today that a spot check of a North American flight on September 4, 1953, revealed that tickets bore the name of North American and that the airplane was registered under the name Unit Export.

CHAMBERS IS CROSS-EXAMINED

Testifying to another spot check was John W. Chambers, also an investigator, who gave details of certain tickets and exchange orders examined by him on Sept., 10, 1953.

In cross-examining Chambers, Maclay said he would appeal to the Board because the CAB Compliance Office would not permit Chambers to discuss investigations of scheduled carriers without Board instructions. Both Hamilton and Chambers answered "I don't know" to Maclay queries as whether the public was "hurt in any way" by alleged ticketing violations turned up by thier spot checks.

Today's hearings were a resumption of those held February 1-3, during which the respondents were not represented by counsel. Cusick ruled that uncontested evidence entered during that session will be received but an agreement has been reached which will permit Maclay to recall witnesses for cross-examination at a later date if he desires.

Case is scheduled to run through March 1 in Washington and will move to Los Angeles on March 10.

There may seem a little late... but our "Daily" has been set - Mike

NORTH AMERICAN MAY TEST VALIDITY OF CAB REGULATIONS.....Dated Feb. 26, 1954

The North American Airlines Enforcement Case may prove to be a test case for the non-scheduled airlines' charges that CAB "Frequency and Regularity" regulations are invalid. This became apparent today as North American's counsel Hardy K Maclay pressed, as his defense against certain enforcement allegations, that the regulations are invalid since they were adopted without "adjudicatory hearings".

At hearings before Examiner William F. Cusick, Maclay emphasized that North American admits the alleged "holding out" violations of the enforcement attorney, but contest the validity of the rules said to be violated. This led to a development in which Cusick indicated he will advise the Board that it may want its own counsel to participate in the hearings to uphold the regulations.

COUNSEL MAY BE REQUIRED

CAB Compliance Attorney Robert M. Johnson said his office was not concerned with the validity arguments, only the enforcement of regulations which are now effective. Thus, it may become necessary for the Board to appoint counsel from its General Counsel's Office or its Bureau of Air Operations for that phase of the case.

Hearings in Washington are expected to conclude early the first week of March, but could run for "four or five weeks" in Los Angeles, where they open March 10. At that session, some 49 witnesses have been subpoenaed by the enforcement office to testify.

Today, a former North American employee, Joseph Cassidy, appeared under subpoena, testifying as to North American's operations at Washington, D. C. Cassidy said he was employed by North American Airlines Agency Corp., but that passengers were boarded on planes of Trans-National, Hemisphere, Unit Export, Twentieth Century, and Trans-American. Prior to a "validation" system installed last September, Cassidy said passengers were only that they were traveling on North American.

HOW THE SYSTEM OPERATED

After the "validation" system came into use, he said, the name of the Airline whose plane was being used was stamped on the passengers' tickets. He indicated that North American scheduled five flights a week through Washington to Dallas and Los Angeles. Prior to opening the Washington service, he said, the Washington office sold westbound transportation out of New York and sent passengers via Eastern Air Lines to connect with New York flights of North American.

Cassidy said " we never told passengers we had a daily service from Washington" and "when asked, always told them the truth--that we were not a schedule airline."

NORTH AMERICAN AIRLINES LAUNCHES "PRESSURE" CAMPAIGN.....Dated March 1, 1954

North American Airlines has launched an intensive campaign in recent weeks under which private non-aviation firms would write or wire President Eisenhower (with copies to Congress) supporting the non-scheduled carrier's bid for permanent airline operating rights. Program is also aimed at CAB enforcement proceedings now in progress against the line. Sample letters and wires have been furnished the firms for use in preparing communications to the President.

The covering request letters, dated February 17, 1954, are on stationary of North American Airlines, Inc., signed by "H. Peterson, Secretary" and read as follows: "We shall greatly appreciate your reading the enclosed sample telegram and/or letter and sending one in a similar vein to the President of the United States. We have been engaged for some time in promoting legislation that will guarantee free enterprise under our Constitution. Monopolistic interests are attempting to dominate our Industry. We wish to enlist your aid in this fight, the outcome of which every obviously will have a direct bearing upon the future of free enterprise in our country."

SAMPLES ARE ENCLOSED

Four sample letters and one sample telegram have been prepared, each bearing this caption at the top: "OUTLINE*Letter from businessman to President*To be sent on letter-head of most important firm available. Copies to congressman, to Senators Knowland and Kuchel, and V. P. Nixon." At the end of each sample letter is this statement: "P.S. My company has no direct interest in the aviation industry." The sample letters range from 1½ to 2 pages of double-spaced typing. Following are excerpts from those letters

- - "When the Republicans were elected with your leadership, many of us felt there would be considerable improvement with respect to continued government interference with certain segments of our economy. One of these in which I have always had a considerable interest was air transportation. The Civil Aeronautics Board, in my opinion, ever since it was organized under the New Deal Administration, has had a fairly shabby record."

- - "The Board has a great file of charges against North American. Those charges take the same form as the New Deal check reins which were used to restrict supply and to hobble independent enterprise."

- - "I am behind your administration 100% and want to continue to be so but I think it is time something should be done about the Civil Aeronautics Board and its obvious favoritism against free enterprise....."

- - "Under the New Deal administration we feel that air transportation has been handled badly, especially referring to such independent airlines as North American Airlines."

PREFERABLE FROM REPUBLICANS

The sample telegram furnished to non-aviation firms bears this caption at the top: "The more telegrams of this kind the better, preferably from Republicans." Here is the telegram: "DEEPLY DISTRESSED TO LEARN YOUR CIVIL AERONAUTICS BOARD IS PREPARING TO KILL OFF LAST IMPORTANT INDEPENDENT COMPANY IN CIVIL AVIATION BY ITS PROCEEDINGS AGAINST NORTH AMERICAN AIRLINES. EVIDENTLY SUCCESS OF THIS COMPANY IN LOW COST FIELD WITHOUT SUBSIDY HAS PROVEN EMBARRASSING TO BIG CARRIERS WHO WANT AN EXCLUSIVE IN VIOLATION OF LAW AND AMERICAN TRADITION. RESPECTFULLY CALL YOUR ATTENTION THAT BOARD HAS NEVER GRANTED ANY NEW ENTERPRISE THE RIGHT OF

ENTRY INTO COMMON CARRIER TRUNK SERVICE. BUREAUCRATIC EXCUSES AND DOUBLE TALK DON'T ALTER THIS DAMAGING FACT. IF NORTH AMERICAN AIRLINES IS SKILLED THERE REMAINS COMPANY FIT AND ABLE TO ENTER THE FIELD...HOPE YOU WILL LEND PERSONAL LEADERSHIP TO THIS VITAL MATTER. AM PRINCIPAL OWNER OF _____ AND HAVE NO FINANCIAL INTEREST IN AVIATION BUT VITAL INTEREST IN PRESERVATION OF FREE COMPETITIVE ENTERPRISE SYSTEM." A caption at the end states "(The above should be put in your own words, either written or typed, not on N.A. stationery, signed with your home address)."

Meanwhile, there were no indications today whether any of the firms had responded to the North American request. One Senator's office said that, aside from several letters from North American itself in the past month, the only other thing received concerning them is a model airplane. A DAILY check revealed that model DC-6B airplanes bearing the name of "North American" have been distributed to Senators' offices.

CAB REJECTS NON-SCHEDULE'S "SETTLEMENT" PROPOSAL.....Dated March 1, 1954

CAB has rejected the "proposal for settlement" of the North American Airlines Enforcement Case filed recently by NAA'S counsel Hardy K. Maclay. In a February 26 letter to Maclay, CAB Chairman Chan Curney said the Board "finds the proposal to be wholly unacceptable, and no useful purpose would be served by elaborating at length upon the reasons for our rejection."

North American's offer, in effect, was to voluntarily surrender its letter of registration upon either (1) issuance of a certificate to it in any one of the three major route cases now in progress, or (2) denial of its certificate application in all three route cases.

CAB said the proposal does not include any offer "to adjust the scope or regularity of operations, or to suspend or terminate any of the existing arrangements or relationships which enable the respondents to operate as a group" pending outcome of the three route cases. Conclusions of those cases, CAB estimated, "is more likely 18 months to two years distant."

CAB members Josh Lee and Joseph P. Adams concurred in rejecting the offer of settlement but said "...we would grant the earlier request by North American... for greater clarity in the Board's Economic Regulations by permitting 14 trips a month between any two pairs of points in the U.S. by any one carrier, and would defer the enforcement proceeding until after decision in the Omnibus Case, provided the carriers consented to a cease and desist order."

Meanwhile, the Washington session of hearings in the Enforcement Case were scheduled to conclude today. They will resume in Los Angeles on March 10.

You probably won't have anything now, ^{The DAILY} until March 10.

Mike

AUSTRIAN NEGOTIATIONS WITH NAA DENIED.....Dated March 8, 1954

An Austrian government spokesman in Washington today described as "hot air" a story in the March 8 issue of Aviation Week asserting that North American Airlines is negotiating for a contract to supply Austria with an airline. Last week when queried on a similar report, apparently spread by the non-sked, the spokesman said that Austria was negotiation with no one although it had received innumerable unsolicited propositions.

Austria is still prohibited by the four-powers allied council from operating an airline but recently a corporation was established in Vienna to prepare for the revival of Austrian commercial aviation (Daily Feb. 5.). The Austrian government spokesman in Washington told the Daily that not only was it premature to talk of negotiations with foreign companies but that it was unlikely that the Austrians would need outside assistance. The probability is that there are sufficient ex-airline personnel in Austria to form a newcarrier (or revive the old Oesterreichische Luftverkehrs AG) without foreign help. If any assistance is required, the services of an airline with overseas flying experience probably would be obtained, it was stated.

NORTH AMERICAN OFFERS MODIFIED 'SETTLEMENT PROPOSAL.....Dated March 8, 1954

North American has offered to abide by a "14 flight limitation" and has renewed its request for postponement of enforcement hearings which are scheduled to resume in Los Angeles on Wednesday (Mar. 10). The offer was a modification of the settlement proposal which CAB rejected as "wholly unacceptable" 10 days ago. North American now requests reconsideration of that rejection.

The 14-flight limitation was suggested by CAB Members Josh Lee and Joseph P. Adams in a separate statement to the Board's rejection of NAA's settlement proposal. It would permit "14 trips a month between any two pairs of points in the U.S. by any one carrier..." CAB's compliance office contends five non-scheduled lines operate in the North American group. That would mean a maximum of 70 flights per month, for example, between New York and Los Angeles.

In its petition for reconsideration, North American again admits the "violations" charged against it, but contests the validity of the regulations said to be violated. The group said that, if the enforcement proceeding is completed, the letters of registration of its carriers will be revoked and that it will then petition the U.S. Court of Appeals for reversal. This action, North American contended, will take as long or longer than if CAB adopts its settlement proposal under which surrender of the letters would be tied in with three pending route cases.

Meanwhile, CAB Examiner William F. Cusick, who is presiding over the enforcement hearings, and CAB compliance attorneys have left for the west coast to open the hearings Wednesday in Los Angeles. A Washington, D.C. session concluded on March 1. North American's request for postponement is "until the Board has had an opportunity to act on the New Proposal and request for reconsideration.

SPARKMAN RAPS CAB ACTION AGAINST NORTH AMERICAN.....Dated March 2, 1954

CAB's enforcement action against North American Airlines, non-sked group, is cited by Senator, John Sparkman (D., Ala.) as being "apparently aimed at preventing any new company from entering air transportation." Speaking on the floor, Sparkman told the Senate that such a policy, which he said the Board is following, "is contrary to the intent of Congress and detrimental to the best interest of the Nation."

Sparkman, who last spoke out for the North American combine in July when the proceedings were first pending court action, has been/outspoken critic of CAB ever since the Senate Small Business Committee entered the picture and he was its first chairman. His aide on the committee, Larry Henderson, who just resigned his post last month, is now being retained by North American.

The Alabama senator now charges that "the Board has mustered all its power in a campaign to drive this company (North American) out of existence." For, he said, the record will show that "CAB has carried on a shameful campaign of persecution against this company, trying to harass it to death." An example of "how unreasonable and closed the Board has become on this case," Sparkman said, "is the Board's denial of North American's proposal for settlement of the enforcement proceeding." This decision, he declared, is but part of the Board's "mad campaign".

BOARD'S MOTIVES QUESTIONED

Sparkman sharply questioned "the motives behind the Board's moves against North American." He said he hoped that the Senate Commerce Committee hearings on the McCarran bill would take cognizance of the right of entry into the air transportation industry. There is another question that the Committee could examine very carefully, he said; that is "whether any group outside the Board is dictating the Board's campaign to put a smaller competitor out of business." Too often the regulatory agency becomes controlled by the industry it is supposed to regulate, the lawmaker stated. He did not name any company specifically but continually referred to "the largest company," and "the Board's ceding 35% of the aviation industry and use of the word "American" to a single company."

NORTH AMERICAN SEEKS N.Y. - WASH. SHUTTLE PERMIT.....Dated March 4, 1954

North American Airlines today applied to CAB for a one-year exemption to operate an aircoach shuttle service between New York and Washington on a regular scheduled basis.

Initial proposal isto operate from each terminal on the even hours from 8 a.m. to 12 midnight at a fare of \$10, including tax. No reservations will be required and "simple form tickets for flights will be sold at the terminals or on the plane enroute." Although initially baggage will be checked in the usual way, it is planned later, North American said, to provide facilities so that passengers may carry their own baggage.

North American said it will first use 80-passenger DC-4 aircraft "and will expect to use high-density DC-6B aircraft seating 102 persons if the experiment proves that operation feasible." the Proposed \$10 gate compares with scheduled airlines' fares of \$16.56 standard and \$12.77 coach, including tax.

As a part of the sales and promotional plan, NAA said it will "fully exploit the available public ground transportation facilities, the cost of which is 25¢ in New York and 15¢ in Washington between terminal and downtown areas." In a "second stage of the operation," which would commence about three months after inauguration of service, schedules would be increased to an every-hour basis from 7 a.m. to 8 p.m., and at 10 p.m. and 12 p.m.

Having operated the service as part of through long-haul flights, North American has concluded that the proposed shuttle service "is practical and can be performed on a practical basis." There has been little interest shown by the certificated industry in medium haul coach service, the applicant said, and non in short haul coach service.
