

August 30, 1962

MEMORANDUM

TO: Congressman Chet Holifield

FROM: Maurice Rosenblatt, National Counsel Associates

RE: UNITED STATES OVERSEAS AIRLINES

UNITED STATES OVERSEAS AIRLINES, is based in Oakland, California and Wildwood, New Jersey, and owns 15 four engine aircraft. The Company was founded in 1946, by Dr. Ralph Cox, who owns it outright, having built the Company out of the profits of the operation. USOA participated in the Berlin and Korean airlifts, and owns its own machine and engine shop in Oakland.

USOA is one of the largest of the supplemental carriers, has largely emphasized general common carriage, rather than relying heavily on the military. However, it has always done a substantial volume of "CAMS" as well as cargo for the Navy in the Pacific.

USOA has averaged \$250,000 monthly for the military, approximately \$3 million a year, which has been important to its operation since CAB regulations limit its civilian operation to 10 trips per month between fixed points.

USOA is the only carrier under the recent legislation by Congress which has a record of any significance in civil air transportation of passengers in the commercial market. About \$8 million annually. This would be the only carrier that could provide a yardstick in low-cost air transportation under the present law which permits a carrier to perform no more common carriage than its previous average.

The Company has never "scratched a passenger" in 2 billion pass miles flying over half a million individuals. It has had crew fatality (pilot snow blinded in landing) on DEW line, in 1957.

After the series of crashes of Supplementals last fall and winter, MATS inspections tightened up considerably. USOA was suspended by MATS in early March, 1962, mainly on charges that it had run late, that its operation was sloppy, some of its written material to crews was out-of-date, that it had "a marginal" safety record with several near misses, and a poor credit rating.

Since March, USOA has been on the ground as to any government business, unable to qualify with MATS for either overseas or domestic CAMS. During this time the Company has been performing as much general common carriage as is permitted by CAB

(10 trips per month); it has also used this time to improve its operation in every way to remove all of the critical rough edges which were subject to MATS criticism. However, the fact that it has been without any normal government business flow has caused its financial problems to accelerate as well as other problems:

1) CAB doesn't want to issue permanent authority under the new legislation to any carrier not acceptable to MATS.

2) Cut-off of about \$250,000 per month average of normal government MATS business has seriously worsened the carriers financial position.

3) Inability of USOA to collect over \$1 million from the government in claim because of House-Senate Appropriations argument which has tied up the appropriation contained in the USOA award.

4) Because of MATS suspension, followed by CAB making its approval virtually contingent on MATS clearance, USOA has been unable to sell any of its equipment for cash -- as the industry vultures know that if USOA is put out of business, they can get this equipment at bargain rates.

We would like to urge your talking with General Kelly, who has ~~been~~ ordered a re-inspection of USOA, scheduled to start today, on the following basis:

1) Herb Roback has been following the USOA matter closely.

2) Congressional Interest is not "pressure" on your part. This is the only carrier which can conduct a common carriage service for the general public, and provide a low-cost experimental yardstick in air transportation, under the new legislation. Other members, particularly George Miller and Jeff Cohelan, are concerned.

3) There is a deadline under the legislation -- 90 days from passage last July -- which means that the fate of all these carriers will be resolved in September. It is unfortunate that MATS suspension of USOA coincided with their being processed by the CAB.

4) FAA is pleased with safety and other performance of USOA.

5) USOA has been making an all-out, unstinting effort to meet every MATS requirement. This has been increasingly difficult, because of the back-fire created by MATS suspension, namely; the chain reaction:

a. The CAB doesn't want to approve USOA if it is under a cloud at MATS.

b. The loss of MATS revenue to the carrier has made it difficult to operate within the 10 trip proviso of the CAB and remain solvent. The 4-engine equipment of USOA requires regular utilization to make it economical -- and it was MATS business that provided the difference.

c. Inability to collect the \$1,017,000 owed by the government because of the Congressional hassle in appropriations.

d. USOA can't find buyers for its 4-engine equipment to obtain cash, as the industry expects the MATS suspension to kill the company, and they can then pick up these planes at sacrifice prices. The vultures have been waiting for MATS to kill the company so they can move in.

e. Refinancing of over \$1.5 million is being arranged contingent on MATS and CAB authorization.

6) Because of these factors it is hoped that General Kelly himself will make the MATS decision, as this is a deeper matter than one that can be solved just by "the book." On the surface USOA might, at this stage, be regarded as financially "thin", yet approval by MATS would allow the carrier to restore itself to the first rate position which it originally built for itself. This turn-around would be almost instantaneous.

7) Nobody in Congress wants weaknesses in any carriers operation or qualifications overlooked. On the other hand, nobody can expect a small businessman to have a perfect solvent operation stand on the ground and remain solvent, if it doesn't get any business.

8) For the above reasons, for this carrier to be killed off at the present time would mean that it was caught in a vicious circle of technicalities, in which each action by the government, while correct in its isolated situation, produced a result detrimental to the general public good in the final analysis. The time has come to break this circle, and good judgment and prudence would seem to call for a better understanding on the part of all concerned, MATS, USOA, the other government agencies involved, and the interested members of Congress.