

TYPICAL ARGUMENTS AGAINST THE NEW INDEPENDENT,
NON-SUBSIDIZED CARRIER

Charge: The nonskeds have been skimming the cream off the lucrative routes.

Answer: There is absolutely no evidence of diversion of any business from the scheduled carriers to the nonskeds. The Civil Aeronautics Board's own figures established the fact that Eastern, TWA and American Airlines have enjoyed their best increase in business on just those segments where the nonskeds operate. There is a duplication of routes but there is no duplication of service, since independent aircoach systems appeal to a different economic market, selling transportation to those who do not have to travel at a particular hour, on a tight schedule, and who are willing to sacrifice luxury frills in order to save one-third on their ticket. To charge the nonskeds with diversion is like saying that the Ford is putting the Cadillac out of business.

Charge: The thirteen major airlines are required, under their certificate of convenience and necessity, to service non-profitable routes, while the nonskeds serve only on the profitable routes.

Answer: Actually the big airlines discard their weaker segments as rapidly as possible. Furthermore, the cry that the weaker segments cost them money is no longer true, since practically all airline routes are now flying with satisfactory loads, and in some cases are flying capacity. Some of the short-haul operations are the most profitable in the country, i.e., New York-Washington, New York-Boston, Los Angeles-San Francisco, and the certificated carriers make an enormous profit by overcharging for service on these short hauls. The New York-Washington run costs the public over 7¢ a mile on American and Eastern Air Lines.

In those segments where a line has been losing money to provide a service for a back area, government subsidy and mail pay has made up for any losses. The nonskeds receive neither government subsidy nor mail pay - nor can they borrow money from the Civil Aeronautics Board in order to make up for bad management. If a nonsked fails to make a profit, it goes out of business. If a scheduled airline is in financial trouble, it goes to the Treasury.

There is a basic difference in the economic philosophy involved in the controversy between the scheduled carriers and the non-subsidized independents. The independents maintain that it is foolish for an airline to charge exorbitant rates on busy routes in order to serve points that cannot support themselves. This is a fallacious and destructive policy. It has been demonstrated that if one charges low fares on the trunk routes, one creates an enormous demand which stimulates traffic over the so-called weaker or non-lucrative routes, which compensates for any losses. If one charges 4 cents per mile from Chicago to Los Angeles, enough traffic is stimulated from Peoria to Chicago to make for paying loads and the old situation of large aircraft flying with a handful of passengers is eliminated.

Charge: The nonskeds violate the Board's regulations and create a chaotic situation in defiance of law and order in the air.

Answer: The regulations which the Board is invoking against the nonskeds in the current proceedings were adopted without any hearings. The Board adopted these so-called economic regulations with the avowed intent to put the new enterprises out of business. Their intention is revealed in written memoranda which were exposed during the recent Senate Small Business Committee Hearings when Oswald P. Ryan, Chairman of the Civil Aeronautics Board, acknowledged the authenticity of the documents which proclaimed the Board's plan to eliminate the nonskeds by erecting economic regulations adherence to which spells bankruptcy, and violation of which spells prosecution. Repeatedly the North American Airlines (The largest of the non-scheduled air carriers) have petitioned the Board for hearings on these regulations, and repeatedly they have been rejected.

The Board's regulations have been so arbitrary and devisive that the carriers have been compelled to violate in order to stay in business. One may term this type of non-compliance "compulsory violation". The Senate Small Business Committee Report condemned the CAB's record in enforcement cases against the nonskeds as having been "confused and devious". "Your committee does not want to imply any approval of violations of regulations. But it finds itself in strong disagreement with the Board's admitted policy of banishing all large irregulars on the grounds that they are 'wilful violators' of a regulation that seems clearly unreasonable."

Charge: The non-scheduled airlines refuse to serve smaller cities.

Answer: They do not have enough equipment ~~to~~ handle intermediate routes. Furthermore, they are operating at full capacity at present between larger cities, and there would be no economic justification for their serving cities which do not seek air service.

Furthermore, if a so-called irregular line were to fly a short route such as New York to Washington, it would necessitate their making ten or twenty flights a day, which would bare them at once to the charge of flying regularly and they would be under CAB censure within a matter of days.

Charge: The nonskeds fly old equipment that is cheap and do not have to meet the high investment cost of the certificated carriers.

Answer: This is one of the most fallacious statements made in the entire controversy. The only way to make money in aviation is to operate modern equipment, since this is the cheapest type of operation regardless of the initial cost of the equipment. For instance,

it costs .7 cents more per seat mile to run a DC-4 than a DC-6. It costs less per mile over-all to run a DC-6 than a DC-4, and it costs less to run a DC-4 than a C-46. Actually a DC-6 is so much more economical to run than a DC-4 that it is possible to carry an additional 22 passengers more on the DC-6 than on the DC-4 and pay out less money to cover the mileage in the larger plane.

Recently North American Airlines purchased a DC-4 from Delta. Delta originally paid \$240,000 for this aircraft, which they resold to North American for \$750,000. The equipment may have been old, but it certainly was not cheap, and the nonskeds would be much better off if they could buy new equipment rather than pay high premiums for the used planes occasionally available.

Charge: The nonskeds are unsafe, badly maintained, and poorly piloted.

Answer: The record of the nonskeds in safety is equal to that of the scheduled industry. In some years they have had no fatalities at all, while in certain bad seasons, when the entire industry faced a run of bad accidents, nonskeds reflected this situation. The safety requirements for passenger operation in scheduled and non-scheduled carriers are identical except for one minor feature, that is, the pilots on certificated carriers must "check out" over a route. (This means fly a route several times under the supervision of an already "checked out" pilot). Since the nonskeds must maintain the fiction of being irregulars, the Civil Aeronautics Board does not require them to "check out" over a route, since they are presumably like tramp steamers and only occasionally repeat a given route. That is the theory. The CAB likes to maintain the fiction that the nonskeds are really "occasional". The fact is that a one-plane operator has difficulty in maintaining a high level of service for his plane, and there are many questions involved regarding the one-plane operator who is too small to run adequate maintenance and provide auxiliary equipment should his plane require overhauling.