

THE FLYING TIGER LINE INC.
LOCKHEED AIR TERMINAL
BURBANK, CALIFORNIA

April 15, 1948

DEAR STOCKHOLDER:

I would like to bring you up-to-date on the latest developments in the airfreight industry which vitally affect the company's future and to encourage your cooperation in helping to correct what might be a grave injustice to American enterprise.

If you will recall the President's Letter which accompanied the 1947 Annual Report, I outlined for you those things which could make this air cargo industry a success. Chief among those developments were: (1) Legalizing airfreight forwarders so that they could profitably engage in the solicitation and handling of property moving by air, and (2) Granting permission to the Railway Express Agency to do business with the all-cargo carriers. REA has been operating under an exemption since 1938 and has been the major factor in developing what property business the passenger lines have had since that time. It has indicated that it would like to do business with the all-cargo lines such as ours, if permitted to do so by the Civil Aeronautics Board, and has applied for an extension of the exemption order.

On April 2, 1948, the Civil Aeronautics Board denied the application of Railway Express Agency as well as the proposed exemption order for the Freight Forwarders to do business with all air carriers. As many of you know, the all-cargo carriers were granted an exemption order (292.5) on June 10, 1947, to "Give the cargo carriers sufficient opportunity to develop an all-cargo industry." Denial by the Board of a license to do business with these two types of producers of air traffic has deferred final accomplishment of our goal, which is a self-sustaining airline without Government subsidy. Your Management feels somewhat like the girl who was given permission by her mother to learn to swim but was told that she could not go near the water, since the forwarders play such an important part in the development of any type of cargo transportation.

The Examiner's Report to the Civil Aeronautics Board was issued March 19, 1948. For your information, the Examiner is the judge of the hearings held on applications to the Civil Aeronautics Board for certificates of public convenience and necessity. In this instance, the Examiner held the hearings on fourteen applicants for all-cargo certificates. In his report to the Board, he recognized that an all-cargo industry was in the public interest and recommended five carriers for certificates, only three of which were for transcontinental operations. Your company was one of these three. It is interesting to note that in the hearings concerning the exemption of the Freight Forwarders, the cargo carriers were the protagonists for the exemption, and the passenger lines, whose principal business is the carriage of passengers and mail, were strongly opposed. I sincerely believe that the principal reason for the opposition produced by the passenger lines towards this exemption was their knowledge that granting of this exemption order would insure the success and permanence of the all-cargo industry.

To demonstrate further the intensive campaign by the subsidized passenger lines to eliminate the all-cargo carriers, some review of the rate war we are presently engaged in follows:

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Prior to September 5, 1947, the lowest rate ever quoted by a passenger line for the movement of property was at 20 cents per ton-mile. The rate quoted by the passenger lines when your company went into the business was 35 cents per ton mile. On September 5, 1947, in a combined operation, led by American Airlines and followed by United, T.W.A., Pennsylvania Central, Western and others, a rate was filed which was some ten per cent lower than the filed tariffs of the cargo carriers, which were at a level of some 13½ cents per ton mile. This occurred at the same time that they were raising the passenger rates 10% and almost every passenger line had just applied to the Board for an increase in mail subsidies!

These rate war tactics were protested by the cargo carriers, based principally on the fact that the passenger lines, being admittedly subsidized by the Government, were using their mail subsidy to finance a rate war that would drive the cargo carriers out of business and leave the field to themselves, with the public at their mercy. As a result of these protests the Civil Aeronautics Board suspended certain tariffs filed by the passenger lines and ordered an investigation. The hearings in this investigation have just ended, and the briefs by attorneys have just been filed. To show you the attitude of the passenger lines in this rate war, I quote you from American Airlines brief: "...the relief requested by the non-certificated carriers is simply a stop-gap measure to hold up freight rates at an artificial level and permit these carriers to remain in business until the Board can sign their certificates..." The Civil Aeronautics Board has not yet reached a decision in the Airfreight Rate Investigation, but it is hoped that they will recognize the pernicious methods of the passenger lines in their attempt to dissolve all their competition.

These facts I feel impelled to bring to you, since I am representing the management of the company that is responsible for the administration of funds provided by you in this enterprise. Cooperation in action by each of you in this crisis is needed, since we feel that this is a test of whether free enterprise in America is to be encouraged and given legal protection, or whether every new venture is to be submerged to the will of the vested interests.

Help from you can be in the form of contacting every Congressman, Senator, or any other public official you might know and asking him to acquaint himself with the problem. We feel that part of the cause of our difficulties in getting the proper kind of government regulation is the fact that we have not been able to penetrate deeply enough with our story of this new industry and its needs. For this reason, we feel justified in calling upon you to help in getting our story across.

I want to thank those of you who have been kind enough to acquaint yourselves with the company's problems and lend your efforts in Washington. Time will not always permit a personal letter of thanks to those of you who have written to me, but rest assured that my appreciation of your interest and your effort is very deep.

Sincerely,

Robert W. Prescott
President