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FACT SHEET

ON PROPOSED ALL-CARGO BAN

PRESENT OPERATION: All-cargo aircraft operation, which means the flying of airfreight in non-passenger, all-cargo freighters, is now conducted in the United States by two classes of carriers—the passenger trunklines and the all-cargo air carriers. They operate over similar, heavily competitive routes, primarily between the major West Coast terminals, the Midwest and the North Atlantic Seaboard.

PROPOSAL: The Civil Aeronautics Board should designate the nation's all-cargo air carriers as the sole bulk freight carriers and wholesalers of all-cargo service. The passenger trunklines, as specialists in passenger traffic, should be confined to such freight traffic as can be carried in the bellies of passenger aircraft and prohibited from operating all-cargo aircraft.

BASIS FOR PROPOSAL: The all-cargo industry is confronted with a crisis. Although traffic volume has attained the levels predicted by the all-cargo carriers when they were certificated in 1949, all carriers of airfreight are showing mounting losses. In the four-year period, 1960-1963, reports submitted by the passenger lines to the CAB show that these carriers lost almost 95 million dollars on all-cargo operations. These shocking losses have been concealed from both the CAB and the stockholders of the passenger lines. By subsidizing their all-cargo operations out of passenger revenues, the passenger lines deprive the traveling public of the low-cost air fares which should prevail to develop further the true passenger traffic potential. Such subsidization also threatens the extinction of the all-cargo carriers, which have no passenger subsidy to fall back on in meeting the unrestricted passenger-line competition in the freight field.

METHOD OF OPERATION: The CAB is asked to delineate the roles of the all-cargo and passenger carriers in the cargo field, as follows:

As the airfreight specialists, the all-cargo carriers would serve the bulk shipping market by being the sole operators of all-cargo aircraft and would wholesale all-cargo space to the passenger trunklines for resale at retail rates. The passenger trunklines would continue to fly freight in the bellies of passenger jets, which is the only freight service that has been profitable to them.

As secondary measures, the Board is asked to provide for the development of air movement of bulk mail and allocate military air cargo traffic to the all-cargo carriers.

PRECEDENT: The delineation asked of the Civil Aeronautics Board is basically similar to the roles now filled in surface transportation by the truck and bus lines.

THE ALL-CARGO CARRIERS: These carriers are three in number—Flying Tiger Line and Slick Airways, which have been serving certificated transcontinental routes since they were established at the end of the war and under certificate since 1949; and Riddle Airlines, a north-south carrier operating along the Atlantic Seaboard.

ROLE OF THE ALL-CARGO CARRIERS: When the CAB certificated the all-cargo carriers in 1949, it said they would serve as a spur to development of the industry and a measuring stick by which progress could be judged. The issue now presented is whether mass air transportation of property is to go on to full competitive development under sound economic practices or whether bulk airfreight is to wither, or at best, be left exclusively to the inhibited development of a few giant carriers, who already dominate the carriage of passengers and mail.

All-Cargo White Paper Asks CAB Action on Airfreight

The presidents of the nation's three all-cargo airlines, charging that the Big 4 trunklines have recklessly flooded the market with all-cargo capacity and discriminated against shippers with a dual pricing structure, have asked the Civil Aeronautics Board to respond to "an overwhelming public need for a Board evaluation of this industry to place it on a rational and self-sustaining basis." In a white paper presented to the Board early in September, Robert W. Prescott, Flying Tiger Line;

D. W. Rentzel, the Slick Corporation; and James Carmichael, Riddle Airlines, specifically proposed that passenger carriers be limited to "handling the air express and premium-type small package cargo in their jet belly compartments, leaving the bulk or large-scale shipments to the airfreight specialists—the all-cargo airlines."

The paper asserted that the Big Four—American, United, TWA and Eastern—in flooding the all-cargo market with excess capacity at great cost to them and all concerned have sustained "shocking losses" which were not brought to light until the recent investigation begun by the all-cargo carriers. These losses, it was charged, were subsidized by the passenger and mail revenues of the Big Four.

The white paper showed that
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Role of the All-Cargo Aircraft in The Domestic Airfreight Industry

Despite a steady growth in the volumes of freight moving by air, all the air carriers of freight are showing increasing losses in their all-cargo aircraft operations. All-cargo operations are severely penalized by the present structure of the industry. This paper is directed to an analysis of the crisis which threatens the all-cargo specialists, the financial health of trunkline air transportation and adequate service to the shipping public.

All-cargo carriers have been granted permanent status as specialists in the airfreight industry. The need in terms of public convenience and necessity for the all-cargo carriers has been established on three separate occasions in lengthy Board hearings and in two major court review cases.

In sharp contrast, the need for the all-cargo operations of the domestic trunklines has rarely been established by any Board findings whatever of public convenience and necessity.

Despite the lack of public convenience and necessity support
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Editor's Note

This issue of *Tigerreview* contains extensive coverage of the All-Cargo White Paper. This is probably the most important document on the Airfreight industry since the certification of the all-cargo carriers in 1949. Understanding of the proposal is important to everyone with a stake in this industry. Hence it is suggested that this issue be retained for reference, especially by employees who from time to time may have need of discussing it in their public and shipping contacts.

PROPOSAL ON ALL-CARGO MAIL LIFT

Domestic all-cargo carriers have now arrived at the point that they can vastly enhance and improve the postal service by rendering a faster service for bulk mail than that currently being provided by surface carriage. Moreover, the all-cargo carriers can provide this service through their truck-air-truck service at a cost to the Post Office Department comparable to that which now exists for truck-rail-truck service.

Truck-air-truck transportation

of mail can be readily integrated into the nation's industrial system. The public interest requires that the economic and technological benefits of air transport be made available to users of the postal service—again, bearing in mind that this advancement in postal service would not increase the costs of postal service to the Government.

We respectfully request that the Board urge upon the Post Office Department the fact that
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What About the Freight Jets Ordered By Passenger Lines?

That American, United and TWA have made commitments for convertible passenger jet aircraft which they propose to employ in cargo operations may be put forward to justify maintenance of the status quo in the cargo airfreight industry.

This, however, is specious. The aircraft ordered are fully convertible to conventional passenger use. Furthermore, the all-cargo carriers would relieve the domestic tanks of their commitments for convertible jet aircraft and concomitant ground equipment in order to provide a rational solution for the future of airfreight.

Role of the All-Cargo Aircraft in The Domestic Airfreight Industry

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for all-cargo operations, in recent years the "Big Four" trunkline carriers have radically increased all-cargo aircraft capacity, without regard to demand, load factor, cost or inevitable loss.

Big Four Losses

It is patent that the Big Four are committed to a program entailing large and increasing losses in the operation of all-cargo aircraft. The all-cargo carriers cannot long survive in the face of such uneconomic and destructive practices. The Big Four are well aware of this. Whether or not their concert of action is dedicated by a concert of agreement, the result is the same: the all-cargo carriers face elimination.

As matters now stand, the Big Four will realize such result for four basic reasons:

(1) They can sustain tremendous all-cargo losses by subsidizing such loss operations with passenger revenues;

(2) They can conceal true all-cargo losses both from their stockholders, who might compel more economic action, and from the Board, which might adjust passenger fare levels to eliminate the all-cargo subsidy;

(3) Even in the airfreight field, they can and have engaged in subsidizing services competitive with the all-cargo carriers by pricing non-competitive airfreight services at higher levels; and

(4) The present economic structure and regulatory framework for the airfreight industry does not permit profitable all-cargo operations for either the trunk or all-cargo carriers, since neither has clearly defined specialized roles tailored to what each is best suited to perform.

Crucial Situation

The issue thus presented is whether the mass air transportation of property by air is to play its full role in the nation's distribution system and the national defense or whether the development of bulk airfreight is to wither, or at best, be left exclusively to an inhibited development by a few giant carriers who already dominate the carriage of passengers and mail.

It is imperative in the public interest that the Board avoid the latter alternative by clearly distinguishing the roles to be fulfilled both by the trunk carriers and the all-cargo carriers in developing the airfreight market. This solution of the basic problem is the most important measure that the Board can take to provide a rational airfreight industry.

In the *Air Freight Case* of 1949 the Board found that there was an airfreight potential of one billion ton-miles and that for servicing that potential all-cargo carriers were meet and appropriate. With the quantum of existent competition by combination carriers, the all-cargo carriers demonstrated they could carry a fair share of the total at a profit and without subsidy. The fact that this as yet has not been possible is not due to the lack of traffic; the potential is demonstrably present.

There has been a steady increase in airfreight tonnage through the years. The rate of growth has exceeded that of passenger traffic in the same period. The potential foreseen by the Board will be exceeded in relatively short order. The following table demonstrates the validity of the first postulate—that there is an adequate airfreight potential:

| Domestic trunk and all-cargo carriers cargo ton-miles carried: | |
|--|-------------|
| 1958 | 422,600,000 |
| 1959 | 478,424,000 |
| 1960 | 522,571,000 |
| 1961 | 541,279,000 |
| 1962 | 655,910,000 |

The foregoing figures do not include off-route charters, contract operations or cargo traffic of local, international and supplemental carriers. With those included, the total exceeds a billion ton-miles now.

The volume of airfreight is sufficient to make economic the operation of a reasonably limited number of carriers. However, there is no reasonable limitation today. By way of illustration, there are now four transcontinental carriers competing for the already-developed, large high-yielding passenger market.

On the other hand, there are six carriers competing for the smaller, lower yielding cargo market. Of these, four are passenger carriers utilizing passenger revenues to sustain the loss operation of excessive numbers of all-cargo aircraft. Two are non-subsidized cargo carriers.

| Losses of Big Four Cargo Operation | | | | | | |
|------------------------------------|--------|--------|--------|-------|-------|-------|
| Year Ending June 30 | | | | | | |
| (\$'000) | | | | | | |
| | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 |
| American | 12,186 | 8,362 | 8,322 | 4,400 | +189 | +197 |
| Eastern | 857 | 1,000 | 485 | 64 | | |
| TWA | 6,634 | 14,443 | 9,546 | 3,682 | 620 | 1,245 |
| United | 7,793 | 9,432 | 6,262 | 790 | +583 | 217 |
| | 27,470 | 33,237 | 24,615 | 8,926 | +152 | 1,265 |

+ Denotes profit.

Specific Role of All-Cargo Carriers

The specific role of the all-cargo carriers should be custom tailored to the sources of bulk freight. These sources, which also generate some belly freight, are fourfold:

1. Large industrial and commercial shippers.
2. Carriers—both air (passenger carriers) and surface (trucks).
3. Indirect carriers—forwarders, consolidators and cargo agents, REA, etc.
4. The Federal Government—Post Office and Department of Defense.

The actual all-cargo operating losses, shown hereinafter, are not due to lack of airfreight demand. These losses can be ascribed to (1) more all-cargo capacity than can be operated at cost recovery levels; (2) a lack of clearly defined roles for the trunks and all-cargo carriers; and (3) the willingness and ability of the Big Four to sustain all-cargo losses in order to defeat the Board's decision to have and maintain a specialized all-cargo industry. As shown below, a combination of all three factors has contributed to the unsound conditions that exist.

Big Four All-Cargo Losses

American Airlines, United Airlines, TWA and Eastern Air Lines (the "Big Four") have greatly increased their all-cargo capacity in recent years. But they have done so with reckless disregard of the cost.

We are not here concerned with the additional cargo capacity of jet passenger aircraft or the additional traffic carried in passenger jets. We are here concerned with the unjustified huge losses incurred by the Big Four in their all-cargo operations.

The adjoining tabulation sets forth the losses of the Big Four in all-cargo operations, as shown by their reports to the Board in Forms 41.

These losses are conservatively

ALL-CARGO LINES MAKE POLICY RECOMMENDATIONS

The Civil Aeronautics Board as a matter of public policy should institute an investigation to resolve the future of airfreight by a delineation of the respective roles of the all-cargo and passenger carriers. Specifically, the Board should:

- (1) Firmly establish the respective functions of all-cargo and trunklines, permitting each to perform that for which each is best suited;
- (2) Designate the all-cargo carriers as the bulk freight carriers and wholesalers of all-cargo service, reserving to the

trunklines the carriage of belly freight;

(3) Urge the Post Office to experiment on transcontinental and North-South routes for the truck-air-truck movement of bulk mail (post office to post office service);

(4) Urge the Post Office Department to revise the allocation rules for first class mail and establish arrival, rather than departure times as the governing criteria; and

(5) Establish a policy whereby the Department of Defense air cargo traffic is handled by all-cargo carriers.

stated: where the figures are not actual, they have been computed in favor of minimizing all-cargo losses. For example, revenues for freight and express are allocated to cargo aircraft on the ratio of revenue miles flown by cargo aircraft to total revenue miles flown—even though the bulk of express and the highly rated small package traffic flies in the bellpits of passenger aircraft.

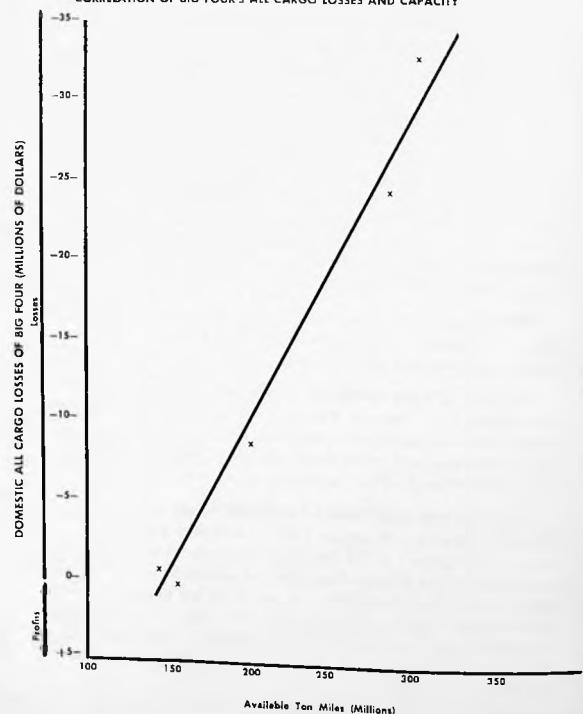
The direct operating costs for cargo aircraft are taken as reported by the Big Four. Their indirect costs for all-cargo operations were derived by applying the ratio that system indirect costs bear to system direct operating costs to the direct operating costs for all-cargo aircraft.

The ratios are conservatively within the rule-of-thumb ratios for such costs.

There is a direct correlation between the all-cargo losses sustained by the Big Four and their increasing available ton-miles. The more all-cargo services these carriers produce, the greater the loss—both in absolute and in percentage terms. The correlation between the Big Four's all-cargo capacity and their all-cargo losses is shown in the following table.

The conclusion is irresistible. The more available ton-miles of all-cargo service produced by the Big Four, the more the Big Four require a higher passenger fare level and/or impose unjustified (Continued on Page C)

CORRELATION OF BIG FOUR'S ALL CARGO LOSSES AND CAPACITY



Role of the All-Cargo Aircraft in The Domestic Airfreight Industry

(Continued from Page B)
 limitations upon their over-all return on capital investment.

The significance of the all-cargo losses by the Big Four is highlighted by a comparison of their net income as reported and as adjusted by an elimination of all-cargo losses. This comparison is shown in the composite table on revenues and losses at the bottom of this page.

All-Cargo Drain

It is apparent that the operation of all-cargo aircraft by the Big Four has resulted in a tremendous drain on net profits. Or, conversely, the operation of the cargo aircraft has been subsidized by the passenger traffic. Absent the loss from cargo aircraft operation, the net return of the Big Four would be greatly augmented. The resulting return on investment might well be raised to a level demonstrating that the passenger fare structure warrants review.

What reason can the Big Four have for such economic practice? Their present all-cargo aircraft cannot reasonably be expected to break even. To develop the market for jets? With the known costs of jets and the announced orders of convertible passenger/cargo aircraft—if they be placed in cargo common carriage—the losses will continue into the in-

definite future.

Meanwhile, the "subsidized" loss operations of the Big Four cargo aircraft are diluting the airfreight traffic and providing ruinous competition to the non-subsidized all-cargo carriers. Prolonged competition of this type will further reduce trunkline system profitability—and will destroy the all-cargo carriers.

Excessive Competition

When the all-cargo carriers presented their cases for certification, they demonstrated the public convenience and necessity for all-cargo specialists and showed that they could operate profitably within the competitive structure then existing. However, since that time the Board has granted numerous certificates of public convenience and necessity to passenger carriers which freely accorded them property authority, as well as passenger and mail authority—although there was no pretense in the record of a showing of need for additional lift for property.

There would seem to be no reason why a double standard should be applied in the awarding of all-cargo rights, namely, strict public convenience and necessity tests when such rights are sought in separate proceedings and no tests at all when such rights are obtained in pas-



President Bob Prescott discusses All-Cargo White Paper at meeting of L.A. sales & ground operations personnel

senger route proceedings.

Nevertheless, the nation's cargo route structure has been built largely on the basis of this double standard. The routes operated by the all-cargo carriers and a few of the trunkline all-cargo services have been certificated on the basis of public convenience and necessity findings; the rest have simply been tacked on as an appendage to passenger rights with no findings whatsoever.

As a result of these freely granted authorities for cargo service, the routes of the all-cargo carriers have been overlaid with competitive routings of passenger carriers. The market for airfreight has been divided and redivided among passenger carriers

to the increasing disadvantage of the all-cargo carriers who have demonstrated both that the need is there and that they could serve it.

Roles Need Delineation

The air carriage of bulk freight should be the primary role of the all-cargo carriers. The bulk airfreight business is specialized—requiring skills, techniques, equipment, marketing, etc., that are unique, separate and distinct from that employed in passenger air transport operations.

The history of the major all-cargo carriers makes it patently clear that the significant innovations and advances made to date in the bulk airfreight field are directly and indirectly attributable to the all-cargo carriers' efforts and their existence in the market.

Although the Big Four, with passenger, mail and property authority, are theoretically only limited by their willingness and managerial ability to develop the bulk airfreight business, actually these carriers cannot be expected, and should not be compelled, to do so. The large capital investment these carriers have made in both air and ground passenger equipment and facilities, the

attractiveness of high yield passenger traffic and the fact that their system profitability, or lack thereof, is dependent upon their passenger business naturally orients these carriers to consider the bulk freight business as a minor adjunct to their primary activity. For these carriers to behave otherwise would be imprudent. Consequently, the Big Four in reality cannot be expected to develop a profitable bulk airfreight market.

Seek No Subsidy

It is not the desire of the all-cargo carriers to request or seek public subsidy to equate the current subsidy being received by the domestic trunks from their high yielding passenger business—an activity which, in turn, was originally created, developed and financed by public subsidies.

Instead, it is the belief of all-cargo carriers that a clarification of the respective roles of the domestic trunklines and the all-cargo carriers will resolve the inequitable competitive position of each of these segments of the regulated domestic air transport industry, and provide a more economic and profitable operation for both, to the benefit of the shipping public.

Revenues for All-Cargo Operations vs. Estimated Losses Incurred

| | 1960 | 1961 | 1962 | 1963 | Four Year Total | Four Year Average |
|-----------------------------|--------------|--------------|--------------|--------------|-----------------------|-------------------|
| AAL — Revenues | \$16,311,332 | \$14,662,578 | \$17,440,353 | \$19,118,727 | Revenues \$67,532,990 | \$16,883,248 |
| Losses | 4,440,386 | 8,321,884 | 8,362,177 | 12,186,000 | Losses 33,310,447 | 8,327,612 |
| UAL — Revenues | \$10,369,688 | \$14,326,541 | \$14,790,262 | \$14,674,824 | Revenues \$54,161,315 | \$13,540,329 |
| Losses | 790,248 | 6,261,752 | 9,432,268 | 7,793,000 | Losses 24,277,268 | 6,069,317 |
| TWA — Revenues | \$ 3,971,817 | \$ 5,501,978 | \$ 4,729,643 | \$ 4,371,236 | Revenues \$18,574,674 | \$ 4,643,669 |
| Losses | 3,631,803 | 9,545,939 | 14,443,425 | 6,634,000 | Losses 34,255,167 | 8,563,792 |
| EAL — Revenues | \$ 72,732 | \$ 2,142,236 | \$ 2,662,922 | \$ 2,493,451 | Revenues 7,371,341 | \$ 1,842,835 |
| Losses | 63,523 | 485,314 | 1,000,460 | 857,000 | Losses 2,406,297 | 601,574 |

| | Effect on Net Income | | | | Sample Effect on Per Share Earnings | |
|---|----------------------|--------------|--------------|--------------|-------------------------------------|--|
| | 1960 | 1961 | 1962 | 1963 | 1962 | |
| AAL — With All-Cargo Operations .. | \$24,209,000 | \$20,993,000 | \$13,771,000 | \$13,275,000 | \$1.00 | |
| Without All-Cargo Operations .. | 28,649,000 | 29,315,000 | 22,133,000 | 25,461,000 | 1.48 | |
| UAL — With All-Cargo Operations .. | 7,157,000 | 18,674,000 | (11,112,000) | 12,206,000 | (.30) | |
| Without All-Cargo Operations .. | 7,947,000 | 24,936,000 | (1,680,000) | 19,999,000 | .76 | |
| TWA — With All-Cargo Operations .. | 9,874,000 | (9,427,000) | (41,821,000) | (12,260,000) | (2.32) | |
| Without All-Cargo Operations .. | 13,506,000 | 118,000 | (27,378,000) | (5,626,000) | (.16) | |
| EAL — With All-Cargo Operations .. | (4,010,000) | (15,094,000) | (19,991,000) | (21,885,000) | (3.84) | |
| Without All-Cargo Operations .. | (3,946,000) | (14,609,000) | (18,991,000) | (21,028,000) | (3.53) | |

The above figures were compiled to the best of the ability of the all-cargo carriers from statistics filed with the CAB by the Big Four carriers and represent the best evaluation which could be made from such reports.

PROPOSAL ON ALL-CARGO MAIL LIFT

(Continued from Page A)

faster service at no additional cost can be achieved by the Department's use of truck-air-truck transport tailored to provide post office to post office service.

In connection with the movement of first class mail by air over certain routes, the Post Office Department is currently attaching considerable significance to scheduled departure times, i.e., the so-called sixty minute rule. This results in giving an undue, and, more importantly, an unnecessary preference to the movement of this type of mail by passenger jet aircraft. It

is the arrival time, rather than the departure time, which governs service to the ultimate users of the postal service: the Post Office is well served when the mail arrives in time for normal local distribution. Accordingly, first class mail by air should be allocated to both passenger and all-cargo departures in a manner which will maintain present delivery time to the general public.

As regards the movement of air mail, we believe that this high yield traffic is properly suited to carriage by passenger aircraft, and we see no reason for altering present policies related to air mail.



PRESIDENT BOB PRESCOTT of Flying Tiger Line (left center) discusses a reporter's question at New York press conference on All-Cargo White Paper. Seated next to him is Delos W. Rentzel, president of the Slick Corp.

ALL-CARGO LINES' POSITION TOLD

Statement by President Robert W. Prescott, Flying Tiger Line, on the position of the All-Cargo Carriers, made in a letter to an airfreight publication:

You have asked me to comment on "a crisis in transportation." I shall confine myself to that portion of transportation with which I am thoroughly familiar—airfreight.

Whether you would choose "crisis" as the descriptive word or not, there definitely exists a situation in our industry, and has for years, that is ruinous to all air carriers who are participating in the melee.

The Civil Aeronautics Board certificated two transcontinental all-cargo carriers in 1949. The basis of the certification was "experimental" in nature. The experiment was to find out if in fact our claims were valid that a great volume of traffic could be generated at the rates and type of service we proposed, and would this industry be economically feasible for the carriers engaged.

Now, 15 years later when we tabulate the results, this is what we find: First, we were correct in our traffic assumptions. Today over one billion ton miles of airfreight is being transported in the domestic United States by contract and common carriers. This hits right on the nose our forecasts in 1949. Second, we have found out that no matter how good the market might be, if too much competition is put into it, all will fail.

In the booming years of the explosive growth of the air passenger markets the Civil Aeronautics Board has correctly expanded passenger authority to carriers to assure both a proper amount of competition and a sufficient amount of service to the traveling public. But with this passenger authority automatically went airfreight authority—many times without even a showing of a need for additional cargo service. We have estimated that if the same amount of competition had been injected into the transcontinental passenger market as has been into the airfreight market, we would today have 60 trunk lines serving the Los Angeles-New York market. You can imagine the results if such had happened. They would be disastrous. And, disastrous have been the results in airfreight.

We have computed the losses of TWA, United and American resulting from their all-cargo operations. Our deductions, drawn from figures filed by these carriers, show losses of more than 90 million dollars in the past four years.

We consider the day of decision is here. The Civil Aeronautics Board must step in and unscramble this mess or see the industry under its supervision sink further into the mire.

Our suggestion to the Civil Aeronautics Board is that they restrict these unprofitable all-cargo operations of the passenger lines. This will save them millions of dollars annually and will give the all-cargo carriers a chance to make some money and continue the development of the business.

White Paper

(Continued from Page A)

in four years, from June 30, 1959 through June 30, 1963, the Big Four all-cargo operations have cost them nearly 95 million dollars in losses. The exact loss figure for each carrier in this period is:

American, \$33,310,447; United, \$24,277,268; TWA, \$34,255,167; and Eastern, \$2,406,297.

The figures were compiled from the Big Four carriers' own reports to the CAB.

Following announcement of the white paper in Washington, Presidents Prescott and Rentzel, in a press conference in New York in early October, said several steps were being studied to bring about action on the white paper and these probably would be announced in several weeks.

Following the press conference, newspapermen asked the Big Four lines for comment on the all-cargo statements. Thus far, no comment has been formally issued by the Big Four.

In the white paper to the Board, the all-cargo airlines said:

The all-cargo industry is facing a serious crisis. Although airfreight volumes have continued to develop, all air carriers of freight are showing mounting all-cargo losses.

The all-cargo carriers are airfreight specialists, comparable to the trucking industry in surface transportation.

The trunkline carriers are, by definition and nature, passenger specialists. For the most part, they have gained all-cargo rights as appendages to passenger authority without findings of need. Most of the trunkline all-cargo route structure today has never been subjected to public convenience and necessity tests.

A proper delineation of roles by the Board is mandatory to prevent further deterioration in the industry. The all-cargo carriers should be designated as the

Defense Department Traffic

The Department of Defense has repeatedly stated that the all-cargo carriers have provided a national defense service. In addition, the Department, as a matter of policy, has indicated that its current objective is to develop and expand the cargo capability of the industry in the interest of national defense.

In accordance with the most desirable delineation of roles of air carriers, the public interest would warrant the following policies as regards Department of Defense traffic:

1. Domestically, military and naval air cargo traffic, including Logair and Quicktrans, should be carried by the all-cargo carriers, either in regularly scheduled service or in contract movements.

2. Internationally and overseas, MATS cargo traffic should be routed via all-cargo carriers (a) on an individually waybilled basis wherever all-cargo carriers provide regularly scheduled common carrier service, or (b) on a charter basis where no all-cargo carrier's regularly scheduled service exists or normal all-cargo carrier scheduled capacity is insufficient to handle the traffic requirements.

3. Until such time as the all-cargo carriers become self-sustaining in common carriage, they should continue to participate in the international charter movements of MATS traffic.

sole bulk freight carriers and wholesalers of all-cargo service, with the trunklines as passenger specialists and carriers of belly freight.

The all-cargo carriers would serve the bulk shipping market, including the selling at wholesale of all-cargo space to trunklines for resale at retail rates. The trunklines would serve the premium belly freight market, the only freight service on which they have earned a profit. This type of delineation of function, and only this type, will ensure economic operation for all carriers of airfreight and the general public.

The only alternative to this delineation is further losses by all concerned, with the eventual extinction of the all-cargo carriers, unjustified fare levels to support continued trunkline all-cargo deficits, and severe and permanent damage to the public

as a whole.

There are secondary measures which should also be taken by the Board as part of its over-all evaluation, including the development of air movement for bulk mail, reasonable allocation of first class mail by air to all-cargo aircraft, and the allocation of military air cargo traffic to all-cargo carriers.

These measures, however, cannot provide the fundamental solution required. As has been done in the surface field with buses and trucks and in the air passenger field by the Board, the airfreight industry requires the establishment of specialized functions that will afford both trunklines and all-cargo carriers maximum opportunity for development within a sound economic and regulatory framework properly attuned to the long-range public interest and the nation's transportation goals.

THE FLYING TIGER LINE

LOCKHEED AIR TERMINAL • BURBANK, CALIF.

Bulk Rate
U.S. POSTAGE
PAID
PERMIT No. 15341
LOS ANGELES, CALIF.