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FUTURE LOCAL AIRLINE SERVICE DEPENDS ON STATE SUPPORT*

BY JOSEPH P. ADAMS

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TODAY'S State aviation directors, commission members and community representatives are, to my mind, the most important individuals in the United States to the continuation and growth of local airline service. Despite the best efforts of the local air carrier managements themselves to improve operating efficiency and attain satisfactory earnings levels, together with sincere encouragement and cooperation from the Civil Aeronautics Board resulting in substantial financial support to these carriers from the Federal Government, the actual operating results for the local carrier industry have not improved appreciably (and in many cases have actually deteriorated) since 1951. Based upon my three years' service as a State Director of Aeronautics, followed by three years' experience as a Member of the Civil Aeronautics Board, I believe that to a very substantial degree the future of local airline service in this country is dependent upon the support of the states and communities which benefit from local air service.

Since the Civil Aeronautics Board clearly has the primary responsibility for the promotion and development of air transportation in the overall public interest, my statement charging the states and communities with responsibility in this matter may seem puzzling. It should be understood at the outset, however, that neither the Board as a whole, nor I as one Member, intend in any way to deny our own very clear-cut responsibility for the original local service airline experiment, nor for its continued development. I propose here, however, to describe how that experiment came about and to review what the Federal Government has already done in developing and promoting local airline service. Two things, I hope, will be clearly understood. First, the Board honestly believes that, overall, its efforts in developing local airline service have been well rewarded and have been of great benefit to the public interest. The second point, however, which is the principal purpose of this article, is to stress how necessary it is from this point forward for all state aviation officials and other aviation minded civic representatives to familiarize themselves with the local airline service program, particularly as it affects their own state and

*Based on an address, with additional supporting data, delivered at the Annual Meeting of the National Association of State Aviation Officials, at Edgewater Park, Miss., November 6, 1953.

area; and then to take very definite action by participating in passenger generating programs to guarantee the continuance of that local airline service.

THE RECORD OF DEVELOPMENT OF LOCAL SERVICE BY THE
FEDERAL GOVERNMENT IS OUTSTANDING

The first local airline for passenger service began operations in August of 1945, a date coinciding with the month and year of the end of World War II. In August of that year Essair, the predecessor company of Pioneer Air Lines, inaugurated service in the State of Texas. In the Fall of 1946 four more carriers began operations in the north-west area of the United States and on the West Coast. Three more local air services began to operate during 1947 and an additional three in the next year, 1948. In 1949 seven more carriers inaugurated service, and the last local service carrier to begin operating did so in September 1950.

Since the cycle of certifications was completed in 1950, the Civil Aeronautics Board has not rested. Twelve renewal cases involving local service carriers have been processed. Involved in these renewals has been the additional award of service to 152 cities and the deletion of service to 111 for a net gain of 41 cities. In addition to the new cities served, and as part and parcel of route improvements, 6,788 new route miles have been certificated to the presently operating carriers over and above those originally granted. With reference to this renewal program, the Civil Aeronautics Board is indebted to the State Directors and State Commissions that have intervened on behalf of the public. Their participation in every instance has been most helpful.

In addition to the tremendous amount of staff and Board time that has been devoted to review of route improvements for the local service carrier program, the Board has also expended considerable effort in mail rate proceedings for these carriers. Board-approved mail payments for our local service airlines have increased rapidly, from \$1,169,000 for the fiscal year 1946 to just over \$23,000,000 for fiscal 1953. The nine-year total of approved mail payments for this segment of the airline industry will exceed \$130,000,000 by June 30, 1954.¹ Today, four-

¹ TOTAL MAIL PAYMENTS — LOCAL SERVICE AIR CARRIERS

		Year Ended June 30:	
1946	\$ 1,169,341*	1951	18,208,000**
1947	3,808,887*	1952	20,077,000**
1948	10,024,870*	1953	23,088,000**
1949	13,037,679*	1954	25,277,000**
1950	15,276,260*		
		Total Mail Payments	\$129,967,037

NOTE: The fiscal year 1946 was the first year of air passenger service by a local carrier. The total figure shown in this table is slightly understated, I believe, because mail payments for the fiscal year 1954 will, in all probability, exceed \$25,277,000. (See later reference, footnote 2, referring to the large number of petitions from the carriers for increased mail pay during that year.)

SOURCE: * Annual Report, Civil Aeronautics Board, 1950, Appendix II.

** Subsidy Separation Report, Civil Aeronautics Board, September 1953 Revision, page 1.

teen local service air carriers are serving 415 cities in 42 states, flying approximately 4,000,000 miles per month, and carrying approximately 2,000,000 air passengers per year.

RECENT ECONOMIC TRENDS OF LOCAL SERVICE
OPERATIONS ARE NOT SATISFACTORY

Now, returning to the title of this article, "Future Local Airline Service Depends on State Support," I believe that it is apparent that the Federal Government, through the CAB, has done its utmost to foster and develop local air service. While the Board is constantly alert to possible improvements of practical benefit, I am at a loss to imagine the form which prompt additional Federal support and development might take. In light of the serious recent trends in local air service operating results despite the Federal Government's best efforts to encourage and develop those operations, the time has come for all community and state aviation interests to actively support our local service airlines.

I have already mentioned briefly the phenomenal growth in public service achieved by these carriers. Their efforts, aided and abetted by the Federal Government, were crowned with marked success through the year 1951. Overall volume of service rendered increased much more rapidly than the increase in Federal subsidy support, so that all of us could honestly say in 1951 that they were in fact trending toward economic self-sufficiency.

Since 1951, however, these favorable trends have unfortunately not continued. In the recent two-year period the favorable trends have either flattened out or actually turned into unfavorable trends. That the local service financial picture is very dark is indicated by the fact that from our presently operating 14 local carriers, the Board has received, within the last seven months alone, six petitions for increased final mail rates, and nine petitions for temporary increases in mail pay.²

The following charts and their supporting tables (Appendix A) trace the trends in operating results of the local air carrier industry. In Chart I, it is obvious that through 1951, the local air carriers increased both the service offered to the public (revenue plane miles) and also the traffic volume carried (revenue ton-miles) at a greater rate than the rate of increase in dollars of Federal mail pay support received by them. The trend line from 1951 through the year ended June 30, 1953, however, indicates clearly that the rate of increase in

² These petitions for mail rate increases are distributed among the carriers as follows:

<i>Final Rate Petitions</i>		<i>Temporary Rate Petitions</i>	
Trans-Texas Airways	7/1	North Central Airlines	7/1
Southwest Airlines	7/20	Trans-Texas Airways	7/1
Mohawk Airlines	8/7	Lake Central Airlines	8/3
Piedmont Aviation	10/1	North Central Airlines	9/28
Pioneer Air Lines	10/12	Pioneer Air Lines	10/12
West Coast Airlines	10/30	Trans-Texas Airways	10/15
		Central Airlines	10/29
		Mohawk Airlines	11/6
		North Central Airlines	12/31

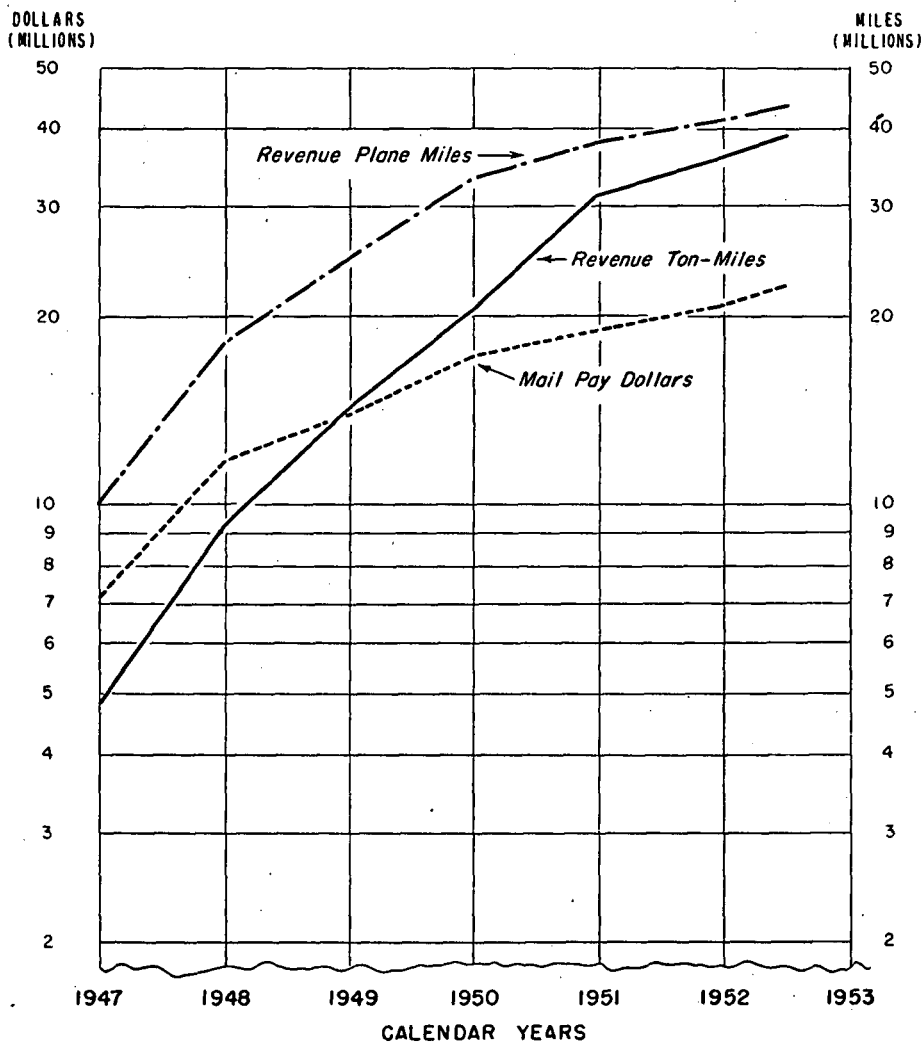
mail pay dollars much more closely followed the trend in both service and traffic volumes for these carriers. Similarly, in Chart II the increase in non-mail or commercial revenues for the local air carriers was not as great after 1951 as it had been in the previous five years; although the trend in operating expenses continued to increase at about the same rate during the entire period.

These trends, presented in terms of mail payments related to service offered, traffic carried and revenue earned, are shown on Chart II.

These trends, presented in terms of mail payments related to service

CHART I

TRENDS IN LOCAL AIR CARRIER
SERVICE, TRAFFIC AND MAIL PAY VOLUMES
(1947-JUNE 30, 1953)



offered traffic carried and revenue earned, are shown on Chart III. It is readily apparent from the chart that although Federal mail payments measured in these terms declined appreciably through 1951, they leveled off or actually increased thereafter.

There are, of course, many factors which explain in part the unfortunate developments which have taken place in the local air carrier industry since 1951. As has been indicated earlier, the Civil Aeronautics Board is examining these many factors and investigating with its own staff and with the air carriers, themselves, ways and means whereby

CHART II

TRENDS IN LOCAL AIR CARRIER
EXPENSE, NON-MAIL REVENUE AND MAIL PAY VOLUMES
(1947 - JUNE 30, 1953)

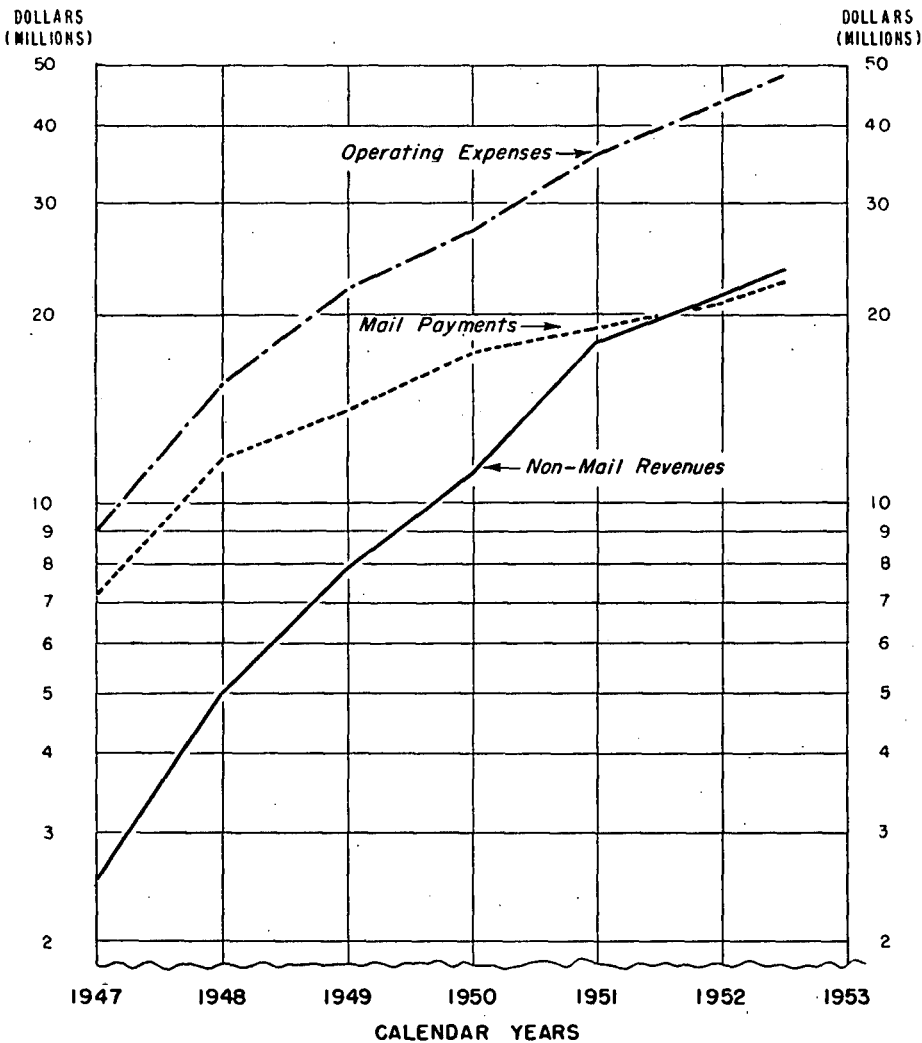
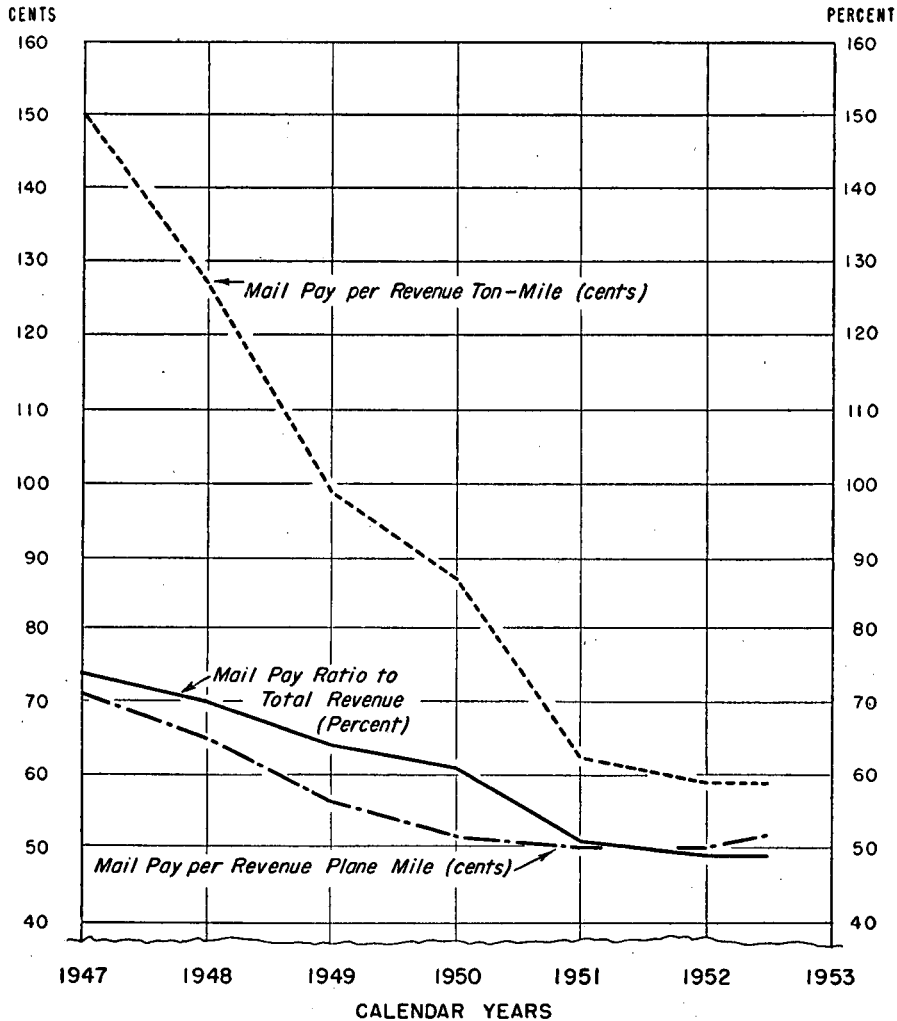


CHART III

MAIL PAY OF LOCAL AIR CARRIERS
RELATED TO TRAFFIC, SERVICE AND TOTAL REVENUES
(1947-JUNE 30, 1953)



operating efficiency can be increased by cutting expenses, increasing revenues or a combination of both.³ There is no single more important factor bearing on the problem of increasing dependence on Federal mail pay support, however, than that of passenger load per plane or passenger load factor. The favorable trends already noted in terms of service, traffic and revenue through 1951 were characteristic also of the trend in revenue passenger load factor, which increased from just under 30 percent in 1947 to 37.4 percent in 1951, jumping almost six full

³ Toward this end, for example, a meeting of the heads of all local service air carriers and members of the Board and its staff was held on Dec. 18, 1953.

percentage points from 1950 to 1951. There was practically no increase in load factor, however, in 1952 over 1951 and only a slight change in fiscal 1953.

This passenger load figure must go up in the future if the local service operators are to survive. Furthermore, this necessary increase in volume is a responsibility in which aviation officials representing our states and communities must share. In all seriousness, I believe that unless the average load for these local airlines can be increased, and appreciably so, without corresponding increases in cost, the local service air carrier experiment will fail. No person truly interested in air transportation in this country wants that to happen and I am sure the 2,000,000 passengers carried by these airlines during the last fiscal year do not want it to happen. I think I would be doing less than my duty, however, if I did not point out these facts, what they mean to all of our states and communities, and urge them to plan state local service programs directed toward passenger generation.

ANY INCREASE IN LOCAL SERVICE AIRLINE LOAD FACTOR WILL REDUCE PRESENT SUBSIDY NEEDS

How important is just one more passenger on every flight to a local service airline? In the case of Southern Airways, which serves eight of our southeastern states, the addition of just one passenger on each flight would mean an increase of \$200,000 a year in revenue and a reduction in its mail subsidy bill of ten percent. In the case of Trans-Texas Airways, serving the southern portion of Texas and more recently, additional points in Louisiana, Arkansas and Tennessee, the addition of one more passenger on each flight would increase commercial revenue by \$175,000 annually and reduce the carrier's subsidy bill more than 10 percent. Similarly, in the case of Piedmont Aviation, serving Virginia, West Virginia, Ohio, Kentucky, Tennessee and North and South Carolina, the addition of just one passenger on each flight would increase revenues more than \$350,000 a year and reduce the carrier's subsidy need 20 percent.

These examples, in my opinion, are highly significant, as they indicate that passenger generation of only one or two passengers per flight would reverse the present trend of increasing subsidy; and the savings to the government, industry-wide would be several million dollars each year. I pinpoint this goal because I believe it makes a program of passenger generation reasonable of accomplishment by state directors and other air minded civic officials. I sincerely hope it will have real appeal to the states and communities.

STATE AERONAUTICAL AGENCIES DO HAVE A RESPONSIBILITY IN LOCAL SERVICE AIRLINE PASSENGER GENERATION

A pertinent question at this point is, "Does such a program of passenger generation properly come within the concept of the legislation creating State Aeronautics Commissions?" Based on the following considerations, my answer is yes.

First, the document "Suggested State Aviation Legislation" published by the National Association of State Aviation Officials was a model for Uniform Aeronautics Acts later enacted by many states.⁴ *Development of Aeronautics* appears as a policy statement in such uniform acts as have been enacted into law. In that policy statement appears the following: "The Commission shall cooperate with and assist the Federal Government, the municipalities of this state, and other persons in the development of aeronautics." I take this to mean that where, as in the case of the promotion of local airline service, the Federal Government will have spent some \$130,000,000 by June 30, 1954, it is perfectly proper for the State Aeronautics agency to assist in developing the program and helping to reduce this cost to the Federal Government, particularly where such help will tend to assure the successful continuation of the program.

Further, I attach great significance to the statement of the present administration made on appointment of the distinguished members of the Commission on Intergovernmental Relations, when President Dwight D. Eisenhower said on September 18, 1953:

"Completion today of the membership of the Commission on Inter-governmental Relations marks the commencement of an historic undertaking: the elimination of frictions, duplications and waste from Federal-State relations; the clear definition of lines of governmental authority in our nation; the increase in efficiency in a multitude of governmental programs vital to the welfare of all Americans."

Taken together with the words contained in most state legislation concerning state aeronautics commissions, "It shall cooperate with and assist the Federal Government," I believe the statement of the President in announcing appointment of the Members of the new Commission, fully supports my faith in the value and wisdom of increased State cooperation in the local service airline program, to the end that Federal subsidies will be reduced by an increase in efficiency of the Federal-State program.

TODAY'S RELATIONS BETWEEN STATE AERONAUTICS AGENCIES AND LOCAL SERVICE AIRLINES LEAVE ROOM FOR IMPROVEMENT

Beginning in August 1953, I was fortunate enough to have several weeks to devote to a study of the present status of Federal-State relationships as they affected local airline service. In that time I corresponded with or personally interviewed the managements of every local service airline, on the subject of passenger generation and the present participation of state aeronautical agencies in developing local airline service.

This study, together with discussions with State Directors and my own experience in that capacity, leads me to believe that I can present

⁴ Published, 1946 by Council of State Governments—Drafted and adopted by NASAO in cooperation with CAA, Department of Justice Federal State Relations Section, Civil Aviation Legislation Council.

an objective, if not altogether pleasing, appraisal of the relationship as it exists today. The proper form of presentation of these opinions, especially where the basis of the opinion may be ill-founded, or based on a misconception of the function of a state aviation agency, is a delicate matter, but I will resolve it by first making the following comment:

My study disclosed that in nineteen states served by local service airlines, there had been no meeting of any kind (as of November 1953) between the top management of the local service airlines and the Director or the staff of the state aeronautical agency. The significance of this fact is self-evident.

The following are typical quotations from letters of local air carrier managements which were sent me on a confidential basis:

1. "In the area served by our airline, the state commissions, where in existence, have confined their major work to technical assistance regarding airports, flight safety and ground safety. With the sole exception of one state, none of the state agencies of states served by us has done anything, to our knowledge, which would help develop local airline traffic.

2. "It is our opinion that while the states have efficiently assisted in solving airport problems and in developing sound route patterns, they have neglected to publicize and explain local airline service. They appear to have taken this position so as to avoid criticism from the trunk carriers which serve the major cities in the states.

3. "We have been serving this state for only one year at this writing, and during this period, I have not seen evidence of any constructive contributions toward passenger generation or general acceptance of local airline service by the State Aviation Commission.

4. "It seems to me that we are accepted in this state because we pay taxes and landing fees and rent space in the terminals, but I find that nowhere are we singled out for any special treatment due to our local service character. Instead, my belief is that from what I have seen and what I have heard, State Aviation Commissions believe that their creation is for the purpose of producing more revenue for the State in the form of more taxes and fees and more regulation on the air carriers. (Although obviously this latter statement is a misconception of the purpose of a state aeronautical agency, it is important as indicating a condition of mind.)

5. "They are deficient in not doing more promotion work at intermediate points. Frankly and confidentially, the state is as weak as a split two-by-four *in holding up its end of the follow-up* which would be productive in paying bodies on the airplanes." ("Follow-up" as used here, implies that after the community or the State appeared before the Board, asking for the service, nothing more was done to make it a successful service.)

So much for a sampling of verbatim comments from one party to the relationship. Please realize that these statements were elicited by my probing and that there is no indication that local airline managements are attempting to pass on their management responsibility to state agencies. In fact, I am pleased to report that my correspondence

is replete with appreciative remarks of state agency support to local service airlines in fields other than passenger generation.

I would be less than frank if I did not at this point make a confession. During the three years of my service as a state director, a local service airline began operations in my state. Under my direction, our state agency activities were concentrated on the construction of four emergency fields in the mountain passes of Washington and no formal meeting on passenger generation was ever held with the local service airline management. Had the study I am making now been made by another in 1947, I would have been one of the statistics calling for better Federal-State relationships on this program of local airline service development.

SOME SPECIFICS DESIGNED TO IMPROVE FEDERAL-STATE
RELATIONSHIPS AND CONTRIBUTE TO LOCAL SERVICE
AIRLINE PASSENGER GENERATION

Referring again to my subject "Future Local Airline Service Depends on State Support" and having previously stated that the Federal government *has* fully supported the program; that *current results* of the program are disappointing; that state agencies *do share* the responsibility for success of the program; and that present Federal-State relationships in this field *can be improved*, it is now incumbent upon me *to state specifically* what direction future Federal-State actions might profitably take.

In so doing, I must state that any specifics mentioned that might prove helpful are a product of the thinking of local service managements, individual directors of aeronautics, all salted with my own experience.

No. 1 — First, to correct the situation existing in nineteen states where no contact between management and state agencies exists and to lay a groundwork for continued cooperation in all other states, I suggest that State Directors call on the managements concerned to send their officials to the office of the Director for a good indoctrination seminar. This personal contact and mutual exchange of information is vital to the success of any of the following specifics, and of itself, is of basic importance.

No. 2 — While the question of where to start in the matter of passenger generation is debatable, I suggest the immediate procurement by the state aviation director or other civic representative of a monthly passenger origin and destination report of the local service airline serving the state and communities concerned. I procured such a report from one local service airline serving three states and thirty-two communities. It indicates that for August 1953 the highest passenger generation point developed 5,667 passengers a month "on and off;" the lowest point of generation, 133 passengers "on and off;" with a station average of 1,114 passengers, "on and off."

Next, it disclosed that one state had two communities generating

187 and 172 passengers, "on and off;" one state had two communities generating 175 and 164 passengers "on and off," and the third state two communities developing 267 and 133 passengers "on and off."

So in this case we have six communities generating less than 300 passengers "on and off" monthly, *which, in my opinion, is the line of demarcation between the sick and the well. These six cities are requiring federal subsidy completely disproportionate to the balance of the system and this great drain in dollars might well be determinative of the success or failure of local air service in this entire area.*

Here, my suggestion in the example given would be for each State agency to select the two points in its state where use of local air service is submarginal and proceed to arrange a "use it or lose it" type of campaign. The Chamber of Commerce, service clubs' elected officials, and key industries can all be invited to participate by the State Agency.

This approach is at least one method of *how and where* a start could be made.

No. 3 — One of the most productive activities in creating new passenger volumes and wider acceptance of local airline service which a state or other civic agency can perform appears to be in the area of publicity and public relations. To the extent possible, the agency should explain through its publications and in its radio and TV programs, the type of service the local carrier is rendering and point out that the continuation of local service is dependent upon full acceptance and support by the communities themselves.

The State agency should maximize this public relations aspect by holding Commission meetings in communities served by local service carriers. On such occasions the Commission could point up the fact that Federal subsidy involved in local airline operation is a subsidy to the community, not the carrier, and that the community has a direct responsibility in the matter.⁵

No. 4 — State agency officials should fully endorse and encourage the use of local service by all state agency personnel for official travel.

In each state that has recently held a Governor's election, it is almost a certainty that one campaign issue was the multiplicity of state automobiles. In such a situation, claims for economies in travel and per diem could properly be made by showing how visits to state institutions from the State Capital could be made by many employees using local service airlines. The State Director in such cases could properly work directly with his Governor.

No. 5 — Another productive action which could be taken by the agency is in the area of development of Air Educational Tours out of intermediate points, going to other intermediate points or to a terminal point over routes of local service carriers.

⁵ See Edwin C. Johnson, "Committee Report to the Senate on Separation of Air-Mail Pay from Subsidy," 18 J. AIR LAW & COMMERCE, 320, 346 (1951), and "Interim Report of Senator Edwin C. Johnson, Chairman of the Committee on Interstate and Foreign Commerce on May 5, 1950," 17 J. AIR LAW & COMMERCE 333 (1950).

One carrier reports that his state director delivered speeches to youth groups in various cities and that in 1952 the carrier moved 2,584 people, mostly boys and girls under 15 years of age as part of this program.

Such a "grass roots" educational campaign through grade and high schools should be most productive, not only in immediate passenger generation, but in long range benefits to the community.

No. 6—Airline net revenue may be developed from passenger generation or conversely from decreased costs, and any combination of the two is most desirable. State agencies might well counsel the communities on the advisability of increasing their airport revenues by encouraging the additional boarding of passengers rather than by increasing airport charges to a Federally subsidized industry. Toward this end, many communities are already paid landing charges amounting to 2 percent of sales, one way or round trip, so as airline ticket sales increase, airport revenues do likewise.

It should be apparent that none of these specific suggestions would result in any budgetary problem. Along with their specific nature, in other words, their chief merit is found in the fact that even if they are *all* followed, no financial burden on the State would result.

This, then, is the case for state aviation agency participation in local service airline passenger generation.

In making this case, I do not overlook the oft-repeated claims that the local service airlines will succeed only when they receive a new short-haul airplane; or that only a removal by the Civil Aeronautics Board of certain restrictions on local service operations will guarantee success; or further, that only a greater productivity on the part of local service airline management will guarantee success. All such claims and suggestions unquestionably have real merit. Unfortunately, however, they will all take substantial time to effectuate, if in fact they can be effectuated. Furthermore, as I have already pointed out, the Board and the local carriers have already made a start on a program which will examine most, if not all of such suggestions.

In conclusion, therefore, I repeat that the most practical and helpful steps that can be taken, now, to assure successful continuation of the local air service program in each state lie in the field of more intensive passenger generation. I am convinced that greater air passenger volumes will be generated *only* with real cooperative efforts of the states and communities receiving local air service; and that then, and only then, will the future of our local air service industry be assured.

APPENDIX A—LOCAL SERVICE CARRIER OPERATING RESULTS (1946—June 30, 1953)

Total Figures (000)	Calendar Years							Year End June 30, 1953
	1946	1947	1948	1949	1950	1951	1952	
Mail Revenues	\$1,692	\$7,137	\$11,629	\$13,932	\$17,273	\$18,848	\$20,680	\$22,522
Non-Mail Revenues	\$ 372	\$2,492	\$ 5,010	\$ 7,917	\$11,189	\$17,951	\$21,200	\$23,494
Operating Expenses	\$2,061	\$9,017	\$15,577	\$21,873	\$27,088	\$35,993	\$43,497	\$47,861
Revenue Ton-Miles	735	4,834	9,278	14,235	20,565	31,219	36,028	39,063
Revenue Plane Miles	3,029	10,066	18,037	24,534	33,022	37,983	41,148	43,491
<i>Unit Figures</i>								
Mail Pay per Revenue Ton-Mile	230c	150c	127c	99c	87c	62c	59c	59c
Mail Pay per Revenue Plane Mile	56c	71c	65c	57c	52c	50c	50c	52c
Mail Pay as Percent of Total Revenues	82%	74%	70%	64%	61%	51%	49%	49%

Source: Local Air Service Carriers' Form 41 Reports to the Civil Aeronautics Board.