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## Recapture Air Mail Pay for American Airlines - Editorial

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## EDITORIALS

### "RECAPTURE" AIR MAIL PAY FOR AMERICAN AIRLINES\*

As a result of a decision issued March 12, 1942, by the Civil Aeronautics Board fixing new mail rates for American Airlines, Inc., the Government stands to recover approximately \$4,000,000. This amount represents the excess of mail pay received by the carrier from the Post Office Department during the pendency of the rate proceeding decided today. A further result of the Board's decision is to entitle American Airlines to recover a substantial sum from the Government for taxes paid on the amount now held by the Board to be excessive.

The fair and reasonable mail pay rate for this period was fixed by the Board at 16.5 cents per airplane mile. The future rate, effective April 1, 1942, was fixed at 12 cents per airplane mile on schedules designated by the Postmaster General for the carriage of mail, as long as such schedules do not exceed 35,000 miles per day. The rate would be proportionately lowered for increases of mail schedules beyond that level. In its opinion, the Board stated that the 16.5 cent rate which it fixed for the past period would amount to approximately 13.1 per cent of the company's investment or a net profit, after Federal income taxes, of 9.5 per cent. This rate would represent 8 per cent of the non-mail revenues of the carrier before Federal taxes and 5.5 per cent of the non-mail revenues after Federal taxes.

According to the opinion of the Board, the future mail pay rate of 12 cents per airplane mile would result in an estimated net return on the carrier's investment of 9.86 per cent, after Federal taxes. The 12-cent pay rate applies to all of American Airlines' routes.

The Board cannot order a refund of excess payments made to an air carrier. It can only determine the fair and reasonable rates payable by the Post Office Department for the past period. Rates actually paid to American were those set by the Interstate Commerce Commission before the passage of the Civil Aeronautics Act.

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\* Taken from CAB press release of March 12, 1942.

The Board has in several cases, where carriers operating under rates fixed by the Interstate Commerce Commission have sustained losses during the pendency of rate proceedings before the Board, set higher rates which resulted in additional payments to the carriers involved. The American case, however, is the first in which the Board has found that a carrier has, during the pendency of the rate proceeding, received rates in excess of those which would have been fair and reasonable.

The order of the Board carefully considers the usual factors of utility rate-making and those specially emphasized by the Civil Aeronautics Act of 1938. However, the result is so novel and so drastic that it is certain to be carried to the United States Supreme Court.

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