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# LEGAL PROBLEMS IN REVISING THE AIR ROUTE PATTERN \*

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THE imposing title of my talk will not, I hope, lead anyone here to expect a scholarly talk on the legal characteristics of a certificate of convenience and necessity. Rather, I want to discuss, in necessarily general terms, the situation, as I see it, with respect to our present air route pattern and the reasons why that situation has arisen. After that I should like to point out some of the steps which may be taken both by the Board and by the carriers to make necessary revisions to the present pattern and some of the legal road-blocks that appear to lie in the way of efforts to make those corrections.

You perhaps know that I have now been on the Civil Aeronautics Board for just about six months. In terms of gaining experience in the problems of the immensely interesting and challenging air transportation business, these six months have been profitable. But they do not, by any manner of means, qualify me either as an expert on route patterns or a legal authority on the problems relating to route patterns and certificates of public convenience and necessity. If I were an expert, I should not undertake the formidable job of discussing the route pattern question in anything less than a series of twenty-five lectures. I must also tell you that I speak for myself and not in any sense for the Board as a whole. Tonight, therefore, we will but hit the high spots.

We are all aware of the phenomenal growth of air transportation since the pre-war days. There has been a sixfold increase in passenger traffic, an expansion of thousands of percent in the volume of freight traffic, a big increase in certificated route miles, and so on. And you also know that in spite of that growth the airline business is the prime exception to the almost universally profitable state of the business community. The domestic trunk-line carriers — and it is this group of 16 airlines to which I will refer tonight — lost \$20 million in 1947. Many experts forecast that the loss for 1948 will run close to \$16 million. Some say that the carriers are facing a financial crisis; more conservative people say that the carriers are merely facing financial difficulties. But

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whether we are in a crisis or merely in difficulty, the fact remains that the airline financial situation is serious.

And this situation has not arisen because of a niggardly government. In the 12 months ending March 31, 1948, the government paid out in mail pay a total of \$24 million to our domestic trunk-line carriers. Figures for subsequent periods indicate that this sum is steadily increasing and will continue to increase in the future. Some of the carriers maintain that the CAB, in establishing mail rates, has been grinding the faces of the poor. It is true that we have been, and still are, far behind schedule in setting permanent rates; but good progress is being made, in spite of a staff which is wholly inadequate from the standpoint of size, in catching up on pending cases. Although we have no intention of dispensing government funds with an open hand and an uncritical eye, I refuse to take seriously the charges brought by some carriers that the permanent rates that we have set are unfair or inadequate. No, the financial problems of the airlines arise from a variety of different causes and no single panacea will solve them — not even unlimited mail pay.

As you are perhaps aware, the present air route pattern developed in three fairly distinct stages. There are in the first place the grandfather routes — those routes which were in operation at the time of the passage of the Civil Aeronautics Act and which under that law<sup>1</sup> were permitted, under certain conditions, to remain in operation. To the grandfather routes — of which there are 39,267 miles — were added certain new routes and extensions in the pre-war period 1938-41. These routes total 7,186 miles. With the coming of war, expansion of the route pattern ceased and the operation of certain routes was suspended. New applications were frozen. Since the close of the war, there has been, of course, a great era of expansion in the air route pattern. The total mileage added since the war is 68,889 miles, so that today our trunk-line route mileage stands at 115,342 miles. This does not include the feeder carriers or the territorial and international routes.

#### THE ROUTE PATTERN AND POST-WAR OPTIMISM

It is important to remember the atmosphere in which these post-war route cases were heard and decided. Since I was not on the Board in that era, I cannot give you the details. But I remember reading in the press glowing accounts of the future of air transportation. There was said to be virtually no limit on the growth of the industry. Passenger travel was to increase almost indefinitely and freight traffic — a new field — was to take up where passenger traffic left off. The opportunity for growth, according to the statements and briefs of the carriers (as well as others, including the government) was only exceeded by opportunities for profit. One carrier told its employees that if any of them doubted that their company would soon be operating 1,000 large planes, they had better resign because they did not have the vision nec-

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<sup>1</sup> Sec. 401(e) (1).

essary for the airline business. Today that company has only a fraction of that number of planes.

The optimistic estimates of the industry were echoed in the stock market where airline shares soared far more rapidly than the bull market which was then in progress.

It is not surprising that much of this optimism became a part of the record in new route cases and that the Board, necessarily confined to that record, found full justification for the institution of additional competition and service. Under the law, the Board is required to consider<sup>2</sup> "competition to the extent necessary to assure the sound development of an air transportation system"; it is also charged with the task of encouraging and developing "air transportation to meet the present and future needs of the foreign and domestic commerce, the postal service, and the national defense." On hindsight, and remembering the atmosphere of the immediate post-war days, it seems to me that in general the Board handled its route cases with commendable restraint. To be sure, the Board did institute competition, or additional competition, over route segments which before the war had been served by only one carrier or two carriers. Many of these route awards were made to carriers which now complain most vociferously about excessive competition. On the other hand, this usually did not mean a diminution of a carrier's traffic. Consider the following figures for New York-Boston — the heaviest segment in the route pattern. In September 1940 American handled 14,189 passengers between these two points. In September 1946 American handled 26,449 passengers — almost double the 1940 traffic. Yet by September 1947, two other carriers had been put onto the route — Northeast, which carried 19,565 passengers, and Eastern, which carried 7,404 passengers. The total traffic over the segment had increased in those six years from 14,000 to 53,000 passengers per month. I believe that a highly restrictive policy on the part of the Board would have been a serious error during the post-war period. Apart from that it would certainly have called down upon the Board the wrath and invective of the carriers, communities desiring improved service and, very probably, the Congress. Although we frequently hear nowadays an airline attorney say that the Board has created too much competition, I will be happy to show you speeches and articles to the effect that the Board has been, and now is, an iniquitous champion of monopoly and restraint of free entry into the airline business. On occasion, even lawyers for the certificated carriers make this plea when they are trying to get a new route.

The main point that I want to make is that on an over-all basis I do not believe the Board can be seriously criticized for its basic approach to the expansion of the air route network in the post-war period.

Now that is not to say mistakes were not made. In any complicated and rapidly changing situation such as air routes, there is no way of

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<sup>2</sup> See Sec. 2(d).

avoiding mistakes even by doing nothing. And to do nothing would in my judgment have involved more serious blunders. The mistakes which were made, I submit, were not numerous. And I would further like to point out that many of them only became apparent at the time traffic stopped growing while capacity kept on growing. If traffic were to catch up with existing capacity, many of the so-called mistakes would again become merely segments over which there was a desirable and healthy degree of competition. I am in hopes that with increased regularity and safety, and with the offering by the carriers of a wider range of service at a wider spread in fares, traffic may well start to grow again within the next 12 to 24 months. If this occurs, many of the route pattern and competitive problems which now are apparent will disappear. There will, nevertheless, be left certain situations requiring correction on a permanent basis. And even on a temporary basis, bad competitive and route situations must be brought under control.

#### ROUTE MATTERS FOR CORRECTION

The type of situations which, in my opinion, seem to require correction may be classified as follows:

1. The Board has certificated a relatively weak carrier along a route already served — perhaps inadequately — by a strong carrier. Faced with new competition, a stable volume of traffic and excess capacity, the strong carrier blankets the route segment with so many schedules that it is virtually impossible for the small carrier to operate enough schedules to attract traffic and at the same time have adequate load factors.
2. The Board has extended a small carrier over a short but dense route segment. This may have been done with the expectation that it would strengthen the carrier and make it more nearly self-sufficient. Actually, the short-haul nature of the operation virtually precludes a profitable operation for the weak carrier with today's equipment and with heavy terminal costs. If the small carrier is not faced with heavy competition, it may conceivably break even on the route. If it is involved in heavy competition, it may well lose heavily.
3. The carrier has applied for and been awarded too many intermediate points on a route which is weak in terminal to terminal traffic. (This type of situation arises usually out of the desire of intermediate points for service. They bring pressure on the carrier who in turn vigorously presses its application.) The total traffic on the route is not sufficient to warrant both non-stop service which is required to attract traffic moving between the terminal and local service which gives adequate service to the intermediate points.
4. A fourth type of situation deals with individual points. I am

clear that there are certain points on the existing air map which should probably not be served by the trunk carriers, at least to the same extent as at present, or possibly, at all. In many cases these cities may be large enough and the cause for low traffic some other factor, such as an airport which is located too far from town, or superior surface transportation facilities, or both.

5. Finally, there is a very limited number of segments over which there are just too many carriers for the available traffic. I think you will find on analysis and in a long run view that the number of instances where this is true is small. I can think of only about three instances where the basic troubles of the carriers can be traced to this cause.

I am also fully aware that this classification of typical situations is by no means the only one which might be devised. It is, of course, very difficult to generalize about particular routes. It frequently happens that more than one of these basic situations is present. The Board is now engaged in a comprehensive analysis of the domestic route pattern — a study which should be extremely valuable. It may well be that as a result of that study, which should be ready in preliminary form before very long, we will be able to have a better classification of the trouble spots in the route pattern.

You will notice that many of the situations I have described have little or nothing to do with excessive competition. Of course there are carriers which would have us believe that any competition is excessive. I am not inclined to believe that — particularly when I consider the type of complaints on service which the Board constantly receives with respect to non-competitive points or along non-competitive routes. It would certainly be a grave mistake for the Board to be panicked, at this point, into a complete reversal of its competitive policy into adopting a rigid "monopoly" policy. We must strive to work out a reasonable middle-ground. And particularly until we can see what is going to happen to air traffic in the next twelve to twenty-four months, we must devise methods for meeting the type of situations which I have outlined above on both a temporary and permanent basis. What then can we do, and what are the legal limitations on what we can do?

#### CAB TOOLS FOR REALIGNMENT

I want to say right away that the Board, without the active co-operation of the industry, can probably do very little immediately. Although we are not without tools to meet the situation on a long-run basis, these tools take a long time to use because of the requirements of "due process." If the Board is balked at every point by obstructionist tactics on the part of one or more carriers, it will be

three or four years before any progress can be made toward realigning the route pattern. The consequences of such long delays will, I believe, result in a heavy cost to the industry and the government. Indeed, there is some danger that the cost to the government might grow so large that the Congress would be compelled to change drastically the basic method of supporting airline operations. So the Board looks to the industry for a full measure of co-operation. We also believe that in many cases the carriers themselves should take the initiative in coming to the Board with proposals which will solve their route problems. We at the Board have no monopoly on ideas as to what should be done with the route pattern.<sup>3</sup> I am personally inclined to the view that the Board does have a responsibility for taking the initiative in these situations which are obviously uneconomic. But that is not the same thing as saying that we alone can take the initiative.

Our tools for meeting these situations in the long run are our powers to approve or disapprove transfers and mergers under Sections 401 (i) and 408 of the Civil Aeronautics Act of 1938<sup>4</sup> and our power to alter and suspend route certificates under Section 401 (h).<sup>5</sup>

#### *Mergers and Consolidations*

Rumors of airline mergers and consolidations have been as conspicuous by their presence as actual mergers and consolidations have been conspicuous by their absence. Since the war the Board has had before it for consideration only four merger or transfer cases. There was first the proposed consolidation of American and Mid-Continent which the Board refused to approve. The Board did approve, however, the transfer of Western's Denver-Los Angeles route to United.<sup>6</sup>

<sup>3</sup> See comments in Smith, *Air Transportation, Its Status, Trend and Prospects*, 14 J. Air L. & C. 150 (1947), and Landis, *Air Routes under the Civil Aeronautics Act*, 15 J. Air L. & C. 295 (1948), as examples of criticism.

<sup>4</sup> Sec. 401 (i) provides: "No certificate may be transferred unless such transfer is approved by the Authority as being consistent with the public interest." Sec. 408 covers consolidation, merger, and acquisition of control in seven paragraphs, with Sec. 408(a) (1) declaring that "It shall be unlawful, unless approved by order of the Authority as provided in this section—for two or more air carriers, or for any air carrier and any other common carrier or any person engaged in any other phase of aeronautics, to consolidate or merge their properties, or any part thereof, into one person for the ownership, management, or operation of the properties theretofore in separate ownerships."

<sup>5</sup> Sec. 401 (h) stipulates that "The Authority, upon petition or complaint or upon its own initiative, after notice and hearing, may alter, amend, modify or suspend any such certificate, in whole or in part, if the public convenience and necessity so require, or may revoke any such certificate, in whole or in part, for intentional failure to comply with any provision of this title or any order, rule, or regulation issued hereunder or any term, condition, or limitation of such certificate; Provided, that no such certificate shall be revoked unless the holder thereof fails to comply, within a reasonable time to be fixed by the Authority, with an order of the Authority commanding obedience to the provision, or to the order (other than an order issued in accordance with this proviso), rule, regulation, term, condition, or limitation found by this Authority to have been violated. Any interested person may file with the Authority a protest or memorandum in support of or in opposition to the alteration, amendment, modification, suspension, or revocation of a certificate."

<sup>6</sup> *Western-United, Acquisition of Air Carrier Property*, 8 CAB 298 (1947).

And it now has pending before it the proposed transfer of Western's route from San Diego to Yuma to Arizona Airways,<sup>7</sup> a feeder carrier. Another postwar merger that never materialized was the merger between Capital and Northeast which broke down because of the financial difficulties of both parties. Contrasted with these cases which have actually reached the Board in one form or another are the large number of newspaper and trade-paper rumors of pending mergers. There is scarcely a carrier in the country which has not been linked with one or more mergers and consolidations.

It is difficult to analyze the reasons behind the failure of all this talk to materialize into some kind of a pattern of specific action. There are certainly a number of situations where a combination of carriers or of routes would make economic sense. Many and perhaps most of the situations where mergers would now make sense have arisen since certification due to the use of larger, faster and longer range equipment, for example, or the development of new traffic patterns which did not exist in sufficiently heavy volume at the time that routes were certificated to permit the extension of one or more routes.

I believe that the industry must give serious consideration to desirable mergers and consolidations. Some personal and some corporate ambitions will have to be relinquished. The penalty that executives and shareholders will ultimately pay for failure to make reasonable concessions in working out mergers and consolidations is, I believe, a further deterioration of the present position.

#### *The National Airline Routes*

Some of you may have heard of our recent order with respect to National Airlines' routes<sup>8</sup> and have probably been waiting for me to get around to saying something about it. That order instituted an investigation of the question of whether or not it would be in the public interest if the routes of National were to be transferred to other carriers. The carriers set forth in the Board's orders were: Pan American to receive the Miami-New York run, Delta to receive the Miami-New Orleans run, Eastern to receive the Miami-Havana route, and an unspecified carrier to receive the local Florida routes. I have no intention of discussing the merits of the National order. I will say to you what the order itself says, namely that the Board intends to hold a hearing on these questions but that no direct action is contemplated in the order which looks towards an actual transfer of the routes involved.

The lawyers seem agreed that on the basis of such a hearing, the Board would be without power to order either these transfers or some

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<sup>7</sup> The carriers involved submitted a joint application for the sale and transfer of that portion of Route 13 between San Diego and El Centro, Cal., and Yuma, Ariz., on August 2, 1948 and the Board is considering it as Docket 3440.

<sup>8</sup> *National Airlines, Inc., Order Instituting Investigation of Transfers of the Routes and Property*, (Serial E-2025, September 28, 1948).



alternative transfers. But in my opinion that does not make the hearing a meaningless and futile exercise of the Board's investigatory power. I believe that the hearing will be beneficial to the Board, to the carriers concerned and to the public in highlighting some of the problems that exist in connection with National's route structure and the route structure as a whole. Upon the results of that hearing will depend our choice of what further tools, if any, should be employed to correct the inadequacies of the National route structure.

*Suspension, Amendment, Alteration and Modification.*

The Civil Aeronautics Act provides that after notice and hearing the Board may alter, amend, notify or suspend the routes of a carrier if the public convenience and necessity so require. There may be some doubts as to the limits to which the Board can go in exercising this authority, but there is no doubt that the authority exists and that it can be utilized — more so than hitherto.

If you wish to read an example of where the Board has recently exercised these powers, albeit in a fairly limited way, you will be interested in reading our recent opinion in the *Caribbean Area* case<sup>9</sup> in which we placed a restriction on Pan American's shuttle operations between Puerto Rico and the Virgin Islands. The facts in that case are of interest. Prior to the certification of Caribbean Atlantic Airlines between these islands, Pan American had operated as part of a through service about two trips a week from San Juan to St. Thomas. Caribbean Atlantic, a local Puerto Rican line, developed a substantial amount of business between these two points. They were able to operate and justify two round trips a day. Whereupon Pan American began a shuttle service which seriously cut into this business which constituted the backbone of Caribbean Atlantic's traffic. The Board restricted Pan American's certificate so that it could no longer operate the shuttle. I think that there are few disinterested parties who would say that we were not justified in taking this action. The unfortunate part of it is that the requirements of hearing and due process consumed a considerable period of time during which time the government was forced to pay Caribbean Atlantic a higher mail rate than would otherwise have been required if that carrier had been able to operate their trips with reasonable load factors.

I believe that you can look forward to an increasingly frequent use of the Board's powers under Section 401 (h) of the Act, despite the fact that the procedures for exercising these powers are time-consuming and can be made even more time-consuming by perfectly legal but nevertheless obstructionist tactics on the part of carriers' lawyers. Certainly the Board has not yet exercised its authority under this section sufficiently to be able to say that we have inadequate legal powers in this field.

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<sup>9</sup> *Caribbean Area Case*, 8 CAB ..., (Serial E-1981, July 20, 1948).

### *Revocation*

Also under Section 401 (h), the Board has the clear legal power to revoke the certificate of a carrier which deliberately and repeatedly violates the law or the Board's regulations. Thus far this section has never been utilized since steps short of revocation have proved sufficient. At least until we have found that the other tools which we possess are inadequate to do the kind of realignment of the route structure which must be done, I am not personally disposed to request the Congress for power to revoke a certificate other than for cause. But I would not be bashful about requesting the power because of any theories which may exist with respect to the sanctity in perpetuity of a certificate of public convenience and necessity.

### *Mail Pay as a Tool*

It has been pointed out to us that the Board has a potent tool for the control of the route pattern through our control of the rate of mail pay.<sup>10</sup> The argument runs that if a carrier is operating a route over which it is consistently losing money, we have the authority to withhold mail pay from the carrier if we feel that the route should not be operated or should be operated in a manner and an intensity other than the way the carrier has been operating it. There can be no doubt that we have the authority to make disallowances in rate cases for over-scheduling. And to some extent this may be a useful weapon in setting the quantum of competition which should exist over certain routes. We possess this power, however, only for those carriers which are now on a "need" mail pay basis,<sup>11</sup> that is, carriers who are receiving a subsidy. We probably do not possess it for carriers which are on a service rate,<sup>12</sup> that is, carriers who receive mail pay which reflects only the reasonable cost (or value) of handling the mail. For service rate carriers the Act

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<sup>10</sup> Under Sec. 406(a) of the Act, "The Authority is empowered and directed, upon its own initiative or upon petition of the Postmaster General of an air carrier, (1) to fix and determine from time to time, after notice and hearing, the fair and reasonable rates of compensation for the transportation of mail by aircraft, the facilities used and useful therefor, and the services connected therewith (including the transportation of mail by an air carrier by other means than aircraft whenever such transportation is incidental to the transportation of mail by aircraft or is made necessary by conditions of emergency arising from aircraft operation), by each holder of a certificate authorizing the transportation of mail by aircraft, and to make such rates effective from such date as it shall determine to be proper; (2) to prescribe the method or methods, by aircraft-mile, pound-mile, weight, space, or any combination thereof, or otherwise, for ascertaining such rates of compensation for each air carrier or class of air carriers; and (3) to publish the same; and the rates so fixed and determined shall be paid by the Postmaster General from appropriations for the transportation of mail by aircraft."

<sup>11</sup> Among the rate-making elements which the CAB must consider by the explicit terms of Sec. 406(b) in determining mail pay for the certificated airlines is "the need of each air carrier for compensation for the transportation of mail sufficient to insure the performance of such service . . ."

<sup>12</sup> In the consolidated proceeding whereby the Board grouped Dockets 3309, 3021, 3211, 2849 and 3014 in drafting a *Statement of Tentative Findings and Conclusions* (Serial E-1351-55, March 29, 1948) in the so-called "Big Five" temporary mail rate case the Board found American, Eastern, Northwest, TWA and United Airlines to be "Self Sufficient" enough to operate on a "service" rate. The problem is analyzed on pp. 17-40.

is reasonably clear that the Board is not authorized to regulate the number of schedules or type of equipment being operated. Although you may see a further use of our authority to disallow the cost of excessive scheduling, the tool is of limited usefulness. In this connection it should be pointed out that on routes where there are competing carriers, the competitive pace can be, and usually is, set by a service rate carrier. Against the service rate carrier, the need carrier, typically the weaker, is largely powerless to schedule independently from its stronger competitor.

As I have tried to emphasize, one of the major drawbacks to the tools which we possess is the length of time necessary to use them. As I also pointed out earlier, many of the problems which now confront us may vanish with a substantial increase over present levels of traffic. I cannot forecast such an increase, but I certainly do not believe that even the very considerable total of 6 billion passenger miles annually represents the ceiling for air transportation. I am inclined to think that there is a need for a temporary expedient in meeting the present situation — a situation which may be temporary. There appear to be at least two alternatives open to us.

#### ALTERNATIVE SOLUTIONS — INTERCHANGE OR POOLING

The first of these alternatives is the interchange of equipment between carriers, either on their own initiative or upon order of the Board. There are two of these interchange agreements presently in effect. One permits Panagra to operate its DC-6 service from the west coast of South America into Miami over the "tracks," as you might say, of Pan American.<sup>13</sup> The other interchange involves the entry of Delta Airlines into Detroit over the "tracks" of TWA.<sup>14</sup> The Board recently ordered a proceeding to determine whether or not an interchange agreement was required to provide through service by a single aircraft between Kansas City and Florida.<sup>15</sup> In addition, there is at least one other interchange agreement now pending before the Board. Equipment interchange, under proper circumstances, is so obviously a reasonable solution to certain of the problems that confront us that I am somewhat surprised that it has not been more widely used. To some

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<sup>13</sup> *Pan American-Panagra Agreement*, 8 CAB 50 (1947).

<sup>14</sup> *TWA, Inc.-Delta Airlines, Inc. Interchange of Equipment*, 8 CAB ... (Serial E-1084, Dec. 29, 1947).

<sup>15</sup> See also Docket 3426, Board Order (Serial E-1814, July 23, 1948) "Instituting a procedure to determine whether the public convenience and necessity require the establishment by means of appropriate interchange or similar arrangements, (a) of through service by (1) Mid-Continent Airlines, Inc. and Eastern Air Lines, Inc., between points on route No. 48 and segment (2) of route No. 26, on the one hand, and points southeast of St. Louis, Mo., on route No. 10, on the other hand, or (3) Mid-Continent Airlines, Inc., Chicago and Southern Airlines, Inc., and either Eastern Air Lines, Inc., or Delta Air Lines, Inc., between (i) points on the Kansas-Minot and Kansas City-Minneapolis-St. Paul segments of routes Nos. 26 and 48, (ii) points on the Kansas City-Springfield-Memphis segment of route No. 8, and (iii) points southeast of Memphis, Tenn., on routes Nos. 10 or 24 and 54, whichever gateway (St. Louis, Mo., or Memphis, Tenn.) may appear to be preferable in the public interest and public convenience and

extent it might well solve in part the difficulties which I previously mentioned of the weak carrier which had a short competitive route and which could not receive the benefit of any traffic moving beyond the terminals since such traffic falls to its longer-haul competitor. I believe that interchange on an expanded basis will be useful to both the carrier and to the Board in the future.

It has been suggested that the Board encourage the carriers to try a system of temporary schedule control or pooling. I want to say that I have not studied this plan in detail nor have I any preconceived notions for or against it. I am not urging it. I mention it here in the hope that it will receive some intelligent consideration by the industry and that out of such consideration may come a better understanding of its possibility of usefulness. Briefly the idea is this.

There is an air route between the mythical points of New Town and Old City. Two carriers are certificated to operate between these two points. At the present time an average of 1000 passengers a day moves over the route and the two carriers together are offering 2500 seats, having a combined load factor of 40%. By an agreement, which would be subject to Board approval, the carriers agree to reduce their combined seats to 1700 a day, each carrier operating under the agreement a number of seats which is in direct proportion to its existing share of the traffic. The combined load factors of the two carriers are thereupon raised to roughly 60%, although there is still competition between the carriers as to the available traffic. The agreement between the carriers would, of course, have to provide for the times at which the flights operated and for adjusting periodically the number of seats which could be operated by both.

As I have said, I do not recommend or condemn such a plan. I believe that under Board scrutiny and on a temporary basis, it merits exploration.

#### CONCLUSION

These then are some of the route pattern problems which confront us and some of the tools which are available for solving these problems. I think you will recognize that there is plenty of business for lawyers in this field even though I have not gone into the legal implications of many of the problems. I am confident that the government and the industry working together can overcome any existing inadequacies in our air route pattern and through a solution of those and other prob-

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necessity and (b) of through service by Braniff Airways and either Eastern Air Lines, or Delta Air Lines, between points on the Memphis-Denver segment of route No. 9, on the one hand, and points southeast of Memphis, Tenn., on routes Nos. 10 or 24 and 54, on the other hand, and to determine the terms and conditions under which such through service or services, if any be required by the public convenience and necessity, shall be operated."

lems bring the air transport industry back to a sound financial and economic basis. I should not want you to leave here tonight with the feeling that the air route pattern is by any means the only or even the most important problem that faces us. Problems of mail rates, the level and structure of passenger fares and freight rates, the economy and efficiency of management are equally important.

I would say to you lawyers — and others — who are connected with the industry that the Board looks to you for a substantial degree of assistance in the solution of these problems. I ask you to take a long view of the future. This industry is important to commerce and to the national defense. It has the capacity of being even more important. With your help and counsel it will be.