

Journal of Air Law and Commerce

Volume 9

1938

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Recommended Citation

Juan Terry Trippe, *Commerce on Wings*, 9 J. Air L. & Com. 74 (1938)
<https://scholar.smu.edu/jalc/vol9/iss1/11>

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COMMERCE ON WINGS*

JUAN TERRY TRIPPE†

I am glad that the National Association of State Aviation Officials this year decided to select Miami for their annual convention, because it has afforded me an opportunity to renew many old-time aviation acquaintances amongst your membership and to do a little "arm-chair flying," as we all used to do during the war. And I am particularly glad that you selected Miami that you might have the opportunity to see here at first hand, our country's original international "gateway" airport.

Miami has been called the cradle of American international air transport. It was here that the field organization and flight technique of our overseas flying was created. It was here that Pan American's flight captains and their crews were trained in ocean flying in our trans-Caribbean "laboratory." It was here that our long-range radio direction finders, that made possible our trans-ocean services, were developed and perfected. It was from this port that the flight research for our successive types of clipper ships was carried out. It was here that most of the personnel who are now successfully operating Pan American services through forty-three foreign countries, in Alaska, and across the Pacific, received their schooling and training; and finally, as a result of Pan American operations during the past ten years, it is here at Miami that there has been created the world's busiest international airport, through which pass many thousands of passengers each year—making Miami, next to New York, where the Transatlantic steamers land, the busiest port of entry in the United States.

The people of the United States know that the international air transport service of Pan American Airways is *important* to our national defense. They appreciate its institutional value in foreign lands as a concrete example of American technique and organization ability, for they know that this American air service, as compared to its foreign flag rivals, is today recognized abroad as the acknowledged leader in technical efficiency and commercial utility. But they are apt to overlook Pan American's principal value to the

* Address presented at the Seventh Annual Convention of the National Association of State Aviation Officials, December 1-3, 1937.

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United States—its effectiveness in the building up of our foreign trade.

Foreign trade consists of the exchange of goods and services between this and other countries. Our foreign trade is our principal industry. In 1929 it reached the staggering figure of 9½ billion dollars. It dropped to three billion in 1935 and has now recovered to five billion. It is greater than the gross revenue of all our railroads; it is double the value of all motor vehicles. Our foreign trade is a tremendous industry—justifying full recognition as the most important contributor to the nation's business and as an employer of labor.

It is affected, of course, by such factors as international relations, national financial policies, exchange values, tariffs, wars and peace. Today, our foreign trade is discounting such handicaps as the enigmas of Spain and the Far East and the hunt for pirates in the Mediterranean. Allowance is being made for frozen credits, sleeping war debts, hot money from abroad and the ever rising mountain of gold in Kentucky. Notwithstanding these handicaps, our foreign trade is pushing ahead—which is well. For our position as a world power, the standard of living of our people, our entire national economy, are wound up with and directly dependent upon the maintenance and development of our foreign trade.

We all know it is no mere coincidence that the major nations of the world today are those nations that have built up their national economy and their international prestige through aggressive foreign trade promotion. And we all know that the chief weapon in their drive for foreign trade was the maintenance of adequate transportation and communication facilities on their world trade routes. Before the World War only such facilities as railroads, docks, ships, cables and radio were involved. After the War, however, air transport became an essential factor in transporting passengers, mails and cargo over those same world trade routes that are the arteries, the very life lines, of international commerce.

But the War had also demonstrated that the airplane was a powerful instrument of destruction, potentially more destructive to civilian populations than any other weapon. At Versailles, in 1919, along with the Treaty of Peace, an air convention was concluded. This air convention enunciated a principle—that the airspaces over the territory and territorial waters of a nation were the property of that nation—and that no foreign airline could land at or operate over any country except upon agreed conditions. Although the United States did not ratify the Versailles Treaty, this principle

of "non-freedom" of the air has also been adopted by the United States in our Air Commerce Act of 1926.

Today, therefore, the international law of the air is unlike the international law of the sea. In times of peace the merchantmen of all nations are free to trade in the ports of the world. The international airline, however, can not engage in foreign commerce except under agreements with every nation traversed. Therefore, the international airline, like the international cable company, is confronted with many complicated diplomatic problems relating to operating rights, clearance arrangements, ground, terminal and communication facilities, duties and taxes, landing fees and countless other matters too lengthy to mention.

In certain instances governments have concluded arrangements for operating rights by means of reciprocal agreements. In the great majority of cases, however, governments have determined that such reciprocal arrangements were neither practicable nor desirable, and the international airlines have handled for themselves negotiations for foreign operating rights, in addition to the other matters mentioned.

So complicated and so competitive soon became this new international air transportation that a number of European governments lent sympathetic support to their several individual international operating companies merging into large national air transport systems.

In Great Britain, domestic air services continued to be conducted by a number of separate companies. The four British airlines operating abroad in 1924 were merged, however, on recommendation of an official government committee, to form Imperial Airways, Ltd. To the financial support of this company came British railroads, British oil companies, British steamship lines and many of the great British industrial concerns that operate in world commerce.

Behind this single company, organized to operate internationally over Empire trade routes, the British government was able to place its entire diplomatic support, there being no longer risk of the government becoming involved in controversy between competing British airlines abroad. Although the capital stock of Imperial Airways is privately owned, the British government nominates two of the eleven directors and shares in company profits over ten per cent. Lufthansa in Germany, Air France in France, Ala Littoria in Italy, are other typical examples of the air transport consolidations by the aviation, railroad, steamship and industrial interests of

those nations—brought about to better meet the keen competition that has developed between the several great international air transport systems.

Today, the routes of Imperial Airways extend to the capitals of Europe, across the entire continent of Africa to Capetown; to India, to Australia and even to distant Hong Kong. The lines of Air France, in addition to local European services, extend across Africa to Madagascar, across India to Indo-China in the Orient, and finally across the South Atlantic to Brazil, Uruguay, Argentina and Chile. As yet, because of diplomatic complications in the matter of operating rights, the German company does not operate to India or the Orient.

The United States was the last great nation to inaugurate international air commerce. It was not until 1927, eight years after the European lines, that Pan American commenced service over the first American international line between Florida and Cuba. A small concern, with but half a million dollars in capital, it stood little chance of being able to extend service to South America, for there, already entrenched, were the large subsidized French and German operations—Air France and Lufthansa.

But that year, with one beat of his wings, Charles Lindbergh flew from New York to Paris. Overnight the United States became "air conscious." Our nation realized that civil aviation had arrived. Following the precedents established abroad, aviation interests in many sections of our country, American railroads, American steamship lines, and American industrial interests abroad, quick to recognize the necessity for a strong American international air transport service, provided capital at home, and help and assistance abroad so needed by Pan American if it were to effectively extend its services. The Congress cooperated by enacting legislation authorizing the United States mails to be carried by air.

Gradually, the South American lines have been extended from gateway ports at Miami, Florida, to Brownsville, Texas, and at Los Angeles, California, to serve all the countries of Latin America. In place of the weeks of travel formerly required, today, Rio de Janeiro, Brazil, is only four days distant from any point in the United States, and even far-off Buenos Aires can be reached in five days of travel time.

Five years ago, the construction of the airway to the Orient was started. Air bases, including radio stations, ground technical facilities, and even complete hotels, all pre-fabricated in the United States were shipped to the distant Pacific island bases of Midway,

Wake and Guam. There, a crew of hardy pioneers unloaded the bulky materials on rafts, and, at great personal risk, ferried them through the breakers and onto the barren coral islands, whose protected lagoons would afterwards receive the trans-Pacific "Clippers."

All of you are familiar with the historic first flight, 8000 miles across the Pacific, from California to the Philippines, which Captain Eddie Musick and his flight crew of seven made two years ago, and I know that you were all as thrilled as I was—that a plane built in the United States, carrying American air mail, operated by an American company, and manned by an American "skipper" and his flight crew, was the first to inaugurate a regular commercial service for mail, passengers and express, over a major ocean route. Two years of scheduled air service to the Orient is now behind us. More than two million miles have been logged over the world's widest ocean, and without an incident to mar this record of American air transport operation.

On the Atlantic, Pan American began active work in 1928, nine years ago, as did Imperial Airways, Air France and Luft-hansa, all of whom hope to operate across this most difficult and most competitive of all trade routes. Operations to Bermuda are already under way, and service to Europe may soon commence.

And, here on the Atlantic also, due to the team work, perseverance and ability of the five thousand men and women who are today the Pan American Airways System, the United States is in the lead. Pan American flight and ground personnel trained in over ocean transport, are the most experienced. Their morale and discipline are second to none. The new 42½-ton double-deck Pan American clippers will shortly be launched. They are each rated at six thousand horsepower. They will carry 68 passengers by day --43 by night—in comfortable berths. The new Clippers will hold on the North Atlantic, the blue ribbon for flight efficiency and commercial utility, just as their flying sister ships now do, on other trade routes of the world.

In the Pan American Airways System, our citizens have themselves invested some twenty millions of dollars, of which four million is invested in associated air transport enterprises in many foreign countries. These associated companies, operating in foreign lands, serve as valuable "feeders." Additional through traffic is secured to the American international system, while these foreign lands receive the benefit of domestic services organized under American auspices. Aircraft built in the United States are utilized by these associated companies to the advantage of American manufacturers.

Investments abroad are invariably considered more competitive and speculative than those at home. Yet today Pan American's shareholders have earned and received less than a 2% return on their investment of twenty million dollars.

From our government's point of view, an American international air transport system of 40,000 miles—and today nearly twice as extensive as any of Pan American's foreign rivals—has been created. But the cost to our government in net annual subsidies is approximately one-half, as compared to the average annual subventions received by Pan American's principal competitors—Imperial Airways, Air France and Lufthansa. Today, our government is receiving nearly twice the service for approximately one-half the cost; and why?—only because Pan American's development has followed sound American business principles.

Like America's domestic air transport operations, the net subvention cost of our international system is being reduced year by year. Important trunk lines are already operating without subvention cost to our government. I am confident that in the not far distant future our international system, as well as the domestic airlines as a group, will operate without subvention.

And, now, a word as to the future. You have seen that notwithstanding the late start, notwithstanding complicated diplomatic problems in foreign lands, and notwithstanding the keenest competition from our foreign rivals, the Pan American System has secured today for the United States, air transport leadership on the trade routes of the world. You have seen that the history of a hundred years ago has repeated itself; that Pan American flying clipper ships today are carrying on the same splendid traditions, driving along with the same leadership that their famous predecessors, the sailing clippers, won for our flag a century ago.

But, today, American air transport, both foreign and domestic, is at a crossroads, unable longer to move forward. Today, new capital, so urgently required to develop this new mode of transport, is not attracted to the industry, and the entire industry is economically bogged down. It cannot further advance without adequate economic regulation.

Economic regulation for rail and highway transportation and for our communications industry, both domestic and foreign, have all been achieved. Yet, today, there are no federal laws that guard against destructive competition by parallel air services. Today, the public is not protected from destructive rate cutting on the one

hand, nor the charging of exorbitant tariffs on the other. Today, the airlines, both domestic and foreign, have no assurance of continuity of service, such as would be provided through the issuance of certificates of public convenience and necessity on the routes that have been pioneered.

However, I am glad to be able to say that federal economic legislation to correct this situation is expected. A bill providing economic regulation is pending before the House and Senate. The President has appointed an inter-departmental committee, under the able chairmanship of Col. Johnson, Assistant Secretary of Commerce, to report on the entire subject. This committee, the entire Administration, and Congress itself, we all know, are fully aware of the problems that are throttling our industry—problems that can actually be solved overnight by the enactment of proper economic regulatory legislation. Our entire industry hopes—and expects—action at the forthcoming regular session of Congress—action that will permit our industry to attract to it the additional capital so urgently required, so that it can go forward. That decision now lies with our government.

Will American air transport take the road to the left? Will America's international air service take fourth or fifth place, as did our maritime commerce after the era of the clipper ship? Or, will it take the road to the right—the road of continued leadership on the trade routes of the world? I am confident that our government will choose the road to the right—that American air transport will be enabled to forge ahead and to hold the lead.

So aided, our foreign commerce will prosper and expand—further raising the standard of living of all our people. And equally important, as Mr. Hull, our great Secretary of State has pointed out, our government will have further contributed to world recovery and to the peace and prosperity of the nations.