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INTERNATIONAL AIRLINE COLLABORATION IN TRAFFIC POOLS, RATE-FIXING AND JOINT MANAGEMENT AGREEMENTS — PART II

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JOINT ENTERPRISES

B.E.A.'s relationship with Aer Lingus is a more unusual joint enterprise, as the following paragraphs of their agreement\(^2\) of May 6, 1946 may indicate:

1. Aer Rianta and British Airways consider that in the interest of economy and efficiency a single unit should be formed for the purpose of operating air services between Ireland and the United Kingdom, and furthermore that close cooperation should exist between them within the European zone.

3. The capital of Aer Lingus shall be held as to 60% by Aer Rianta and as to 40% by British Airways and/or British European Airways Corporation (which, when formed, shall be afforded an opportunity of becoming a party to this agreement). Neither party shall dispose of any of its shares without the consent of the other.

4. The number of directors shall be not more than seven, of whom four, including the Chairman, shall be appointed by Aer Rianta and three by British Airways.

8. Operations on the Continent of Europe and elsewhere where competition between British Airways and the proposed company may arise shall be the subject of prior discussion and agreement.

9. As British Airways has a 50% interest in the traffic operating between Ireland and the United Kingdom it is agreed that the profits and losses arising from services between Ireland and the United Kingdom shall be shared equally between the parties.

10. Any profits accruing from the operation of services from Ireland to any of the following cities; namely, Paris, Rome, Brussels, Amsterdam, Copenhagen, Oslo, Stockholm, shall be divided between the parties hereto in accordance with their respective shareholdings in the proposed company. Any losses incurred in the operation of the above services shall be shared equally between the parties hereto. Any further services to the Continent of Europe which may from time to time be under consideration shall be the subject of prior discussion and agreement between the parties hereto.”

This contract appears to combine large shareholdings with strong representation on the Board and a sort of pool. The arrangement seems to have worked out fairly well in general, and has been cheered by those who deplore narrow nationalistic antagonisms and favor cooperation between the United Kingdom and Ireland.

\(^2\) ICAO Doc. 4954, AT/633—Ireland, pp. 5-6.
There have been two other cases involving the investment of U.S. capital and management experience which have been received less warmly, for the motives of the purchasers have been questioned. When Seaboard and Western Airlines, a thriving American non-scheduled cargo carrier on the North Atlantic, bought approximately 35% of Luxembourg Airlines in 1949 the U.S. and U.K. hardly bothered to conceal their beliefs that there is no longer “effective control” in Luxembourg nationals and that Seaboard acquired the shares to bypass the statutory requirements of Sec. 401 of the Civil Aeronautics Act of 1938 and secure landing rights under Sec. 402 as a “foreign air carrier” or under Section 6 (c) of the U.S. Air Commerce Act of 1926.

The shortage of 4-engine equipment which arose from the air lift to Korea has postponed Luxembourg’s plans for trans-Atlantic “coach” flights on a scheduled basis, and that carrier now waits to gain the full benefits of Seaboard’s considerable operating experience. On the other hand, Aerovias Venezuela Europa is utilizing to the utmost the practical talents of its U.S. shareholders who own 45% of the stock, and observers in Rome note with interest the active role of Executive Vice President James Wooten who has 221/2% of the shares. A.V.E. is a duly incorporated and certificated Venezuelan carrier operating scheduled services between Caracas and Rome via Lisbon, Madrid and Paris. Mr. Wooten is active in several ventures in which his capital and knowledge of air transport are combined with foreign funds and corporate structure. Venezuela has been glad to benefit from his wide experience and ingenuity, and the government has extended its good-will and diplomatic blessing.

With 55% of the stock in Venezuelan hands and a former Air Minister as titular president, it would not be easy to prove that A.V.E. is not a bona fide Venezuelan company. Such was not the case with Peruvian International Airways, for its chief executive had been prominent as a U.S. Army Air Forces general and the Peruvian Ministry of Aeronautics told the CAB in Washington that 40.5% of the shares were owned by Canadians and 27.5% by U.S. citizens. Of the 10 directors, 6 were American and Canadian. The carrier received a permit to enter the U.S. as a Peruvian operator on the basis of a 1946 bilateral agreement which pledged that 51% of the stock would be in Peruvian hands by 1956. In 1948, however, the entire problem was solved when the company collapsed with heavy losses.

INTERNATIONAL OWNERSHIP

So many and varied arrangements have passed under the shelter of the imposing phrase “international cooperation in air transport,” but

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28 Under (7) of the “Standard Agreement” developed at the Chicago Conference, “each contracting party reserves the right to withhold or revoke a certificate or permit to an airline of another State in any case where it is not satisfied that substantial ownership and effective control are vested in nationals of a party to this Agreement . . .”

29 Formerly owned by Scottish Aviation, Ltd.
most of them have been very different in purpose and nature from true international ownership. Indeed, it was the evils which arose in the era of restrictions and economic-political sniping that focused attention upon the possibilities of international ownership. The United Kingdom set forth the problem at the Fourth Assembly of ICAO in Montreal in June, 1950:

"Among some of the major drawbacks of the present system of competing national airlines which would be overcome by international ownership and operation are:—

(a) As an infant industry, not yet economically self-supporting, air transport requires subsidy assistance either in the form of payments to operators and/or through the provision of expensive aerodromes and facilities in return for uneconomic rates of landing fees.

(b) Air transport is an instrument of national policy in every country of standing. Hence, competitive exploitation by national interests is not prompted in all countries solely by commercial motives. It follows, therefore, that many countries, almost regardless of cost in subsidies are prepared to maintain air transport services without economic justification. This led to a situation in pre-war Europe in which 75% of the cost of the many airlines competing for European traffic was borne by the taxpayer. The number of competing countries and airlines is greater today.

(c) In order to minimize losses, most competing national airlines actuated solely by commercial motives concentrate on 'paying routes' and neglect the development of services that are needed in wider public interest.

(d) The drive to eliminate competition in the struggle for supremacy, leads to artificial inflation of capacity, constant pressure to reduce fares below economic levels and other competitive devices.

(e) The tendency of each country to surround its international air transport with a protective ringed fence based on a restrictive policy in the grant of commercial rights, stultifies the full development of efficient air services on an economical basis."

The history of international ownership goes back to "the Compagnie Franco-Roumaine de Navigation aerienne (later known as CIDNA) established in 1920, on French initiative to operate air services between Paris and Bucharest via Prague-Vienna-Budapest and Belgrade. The company was of French nationality, but the various countries it served contributed towards its operation, either by providing a share of the capital or by means of subsidies, or else by means of contribution in kind such as the provision of fuel. In return, the company was under an obligation to employ in each country flight crews of the nationality of the country."

It was in this same period that Germany and Soviet Russia set up the little-publicized joint air transport venture known as Deruluft to operate between Moscow and Berlin, and this company was flying additional routes when service was suspended in 1937.

80 Paper on "International Ownership and Operation of International Air Services" submitted by U.K. to 4th ICAO Assembly, A4-WP/118 EC/14, 5/6/50, p. 3.
81 French memorandum cited note 4, p. 17.
Qantas Empire Airways and Tasman Empire Airways

Both of these organizations involved more active participation by the partners than did the companies in which the United Kingdom has joined with the Australians and New Zealanders:

"Qantas Empire Airways was established in 1934 by Imperial Airways and the Australian company, Queensland and Northern Territory Aerial Services (QANTAS). The capital stock of Qantas Empire Airways, Ltd. was equally divided between the two participating companies.

"Qantas Empire Airways, Ltd. operated the U.K.-Australia air route in association with Imperial Airways. In 1939, the shares held by Imperial Airways in Qantas Empire Airways were transferred to the BOAC.

"After the second world war an agreement was reached between the governments of the United Kingdom and the Commonwealth of Australia to transfer the shares held by the BOAC to the Government of Australia. In February 1947 the Commonwealth Government of Australia definitely acquired the 50% interest in Qantas held by the BOAC. The remaining 50% was privately held, chiefly by private and business interests in Australia. Subsequently, the Australian Government announced that it intended to assume full control of Qantas Empire Airways, Ltd., and accordingly the Commonwealth Government has acquired 100% ownership of Qantas as of 1 July 1947." 82

Qantas and BOAC continue to maintain their intimate cooperation in scheduling and operations on the important route linking the growing Commonwealth of Australia to the United Kingdom. Their use of identical equipment simplifies maintenance at either end of the line.

Two years after the creation of Qantas, in September of 1936, the governments of Australia, New Zealand and the United Kingdom "agreed upon the establishment of a joint company for the operation of the trans-Tasman air service." 83 The plan called for a New Zealand carrier, i.e., an operating company registered in New Zealand, to run scheduled services between Australia and New Zealand. This program was implemented by the specific provisions of the tri-partite Agreement of April 10, 1940 in which the three governments concurred on the "Memorandum and Articles of Association" of an operating company registered in New Zealand as Tasman Empire Airways Limited.

New Zealand recently informed ICAO that "the Company was inaugurated on 26 April 1940, upon a financial basis comprising Share Capital subscribed by its shareholders, plus a subsidy contributed by the Governments of United Kingdom, Australia and New Zealand, with no payment for carriage of mails. This basis continued until 1st July 1946 when the subsidy was discontinued and, in lieu thereof, the Company was paid for carriage of mails at an agreed rate." 84

Originally, B.O.A.C. held 38% of the shares, the New Zealand gov-

82 ICAO Doc. 4954, AT/633-Australia, p. 3.
83 New Zealand paper on international ownership submitted to 4th ICAO Assembly, A4-WP/93 EC/7, 25/5/60, p. 17.
84 Ibid, p. 21.
ernment 20%, Union Airways of N. Z. 19%, and Qantas Empire Airways 23%. Union Airways was acquired by the New Zealand government in 1947. The stock distribution was modified in 1948 and today B.O.A.C. owns 20%, Qantas Empire Airways 30%, and the government of New Zealand 50%. Each of the three partners nominates a pair of directors.

"Under an Agreement of 16 December 1941, made between the Governments of the United Kingdom, Australia and New Zealand on one hand and Tasman Empire Airways Limited on the other hand, this company undertook to maintain and operate regular and efficient air transport services in direction between the Australian terminus and the New Zealand terminus. The frequency of these services, the timetables and rates for carriage were subject to the approval of the Governments.

"The aircraft employed on these services should be registered in New Zealand. The Agreement itself should be deemed to have been made in New Zealand and should be interpreted according to New Zealand law.

"Any difference or dispute arising between the Governments or any of them and the company relating to this Agreement should be settled by arbitration." 35

The Agreement provided that each country would name one member of a "Tasman Air Commission" which would act by majority vote. The official Instrument of Authorization to the Tasman Air Commission was signed by the three nations on February 23, 1945, and it authorized the Commission:

"(1) to supervise the execution of the Agreement between the three Governments and the operating company and for that purpose to negotiate such matters and conduct and order such periodical and special investigations into the finance, administration and operation of the service, and call for such requests from the operating company as may be required by any of the three Governments or deemed necessary by the Commission. It shall report to the three Governments;

(2) to consider the report upon any proposals relating to the operation of any civil air service between Australia and New Zealand other than the service operated under the Agreement;

(3) to call for the performance by the operating company of its duties under the Agreement and in default of such steps as the Commission thinks necessary;

(4) to agree upon alternative or additional termini, to approve frequencies, timetables and rates;

(5) to inspect the books of account and vouchers of the operating company." 36

These responsibilities are no longer vested in the Commission, for one of the functions assigned to the South Pacific Air Transport Council 37 in 1946 was:

36 Ibid, pp. 18-19.
37 "At a Civil Aviation Conference held at Wellington in February and March 1946, the Governments of the United Kingdom, Australia, New Zealand, Fiji, and the Western Pacific High Commission, agreed to the establishment of an advisory body, to be known as the South Pacific Air Transport Council, being a regional organization linked with the Commonwealth Air Transport Council, which consists of representatives of all British Commonwealth Governments." Ibid, p. 19.
"to advise member Governments on the policy of operation, development and finance of air services operated or controlled jointly by the Governments of the United Kingdom, Australia and New Zealand, on the regional trans-Tasman route." 88

When the South Pacific Air Transport Council held its first meeting in Canberra in December 1946, it determined to create a standing trans-Tasman Committee composed of representatives of the U.K., Australia and New Zealand. That body would take over from the Tasman Commission on March 31, 1947 and would be under the SPATC. The second meeting resulted in a basic policy directive to guide TEA's management. At the end of 1948, the standing committee was replaced by a Tasman Empire Airways Policy Committee. 89

**British Commonwealth Pacific Airlines**

Another Commonwealth effort is the British Commonwealth Pacific Airlines, conceived after the Inter-Dominion Conference on aviation at Montreal in 1944 and discussed at the London meeting of the Commonwealth Air Transport Council in July 1945 and the Wellington session of the CATC in March of 1946. The objective was to establish a "British" carrier to operate between Australia-New Zealand and North America across the Pacific to complete the "British" global network of air services and communications. Final plans were made by the U.K., Australia and New Zealand at Canberra in March of 1946. BCPA was incorporated as an Australian firm on June 24, 1946 under the Companies Act of New South Wales with Australia putting up 50%, New Zealand 30% and the U.K. 20% of the authorized capital of one million Australian pounds. It began its own trans-Pacific services with four DC-4 aircraft on April 25, 1948, having previously utilized Australian National Airways' organization under contract.

**Beginnings of the Scandinavian Airline Consortium — S.A.S.**

At the same time that these joint programs were developing within the British Commonwealth, the three Scandinavian states were going ahead with their own plans for the airline which was to become the outstanding example of international ownership in civil aviation. Norway initiated negotiations in 1938 for a common carrier with Sweden and Denmark to North America, and by the beginning of 1940 conversations between the Scandinavian postal officials, the airlines and the American authorities had reached a point which indicated the possibility of a line in cooperation with Pan American Airways. Although the invasion of Norway and Denmark crippled the project, the Swedish carrier A.B. Aerotransport went ahead and requested financial aid from its government. The latter felt that private enterprise should take the risks alone, so a new Swedish Intercontinental Airlines (SILA) was

88 Id.
89 This became necessary when Canada, a non-shareholder in TEA, joined the SPATC.
formed to operate internationally while the state-owned ABA would handle the European operation. The two companies cooperated considerably.

With the consent of ABA, SILA opened negotiations with the Danish and Norwegian carriers. The occupied states sent secret negotiators to Sweden via underground channels, and there were talks with the Royal Norwegian Air Transport Board which had been set up in London in 1943 to plan for the post-war period. The three governments agreed that cooperation was desirable and that aircraft should be ordered as soon as possible. SILA represented the three carriers in the United States, and in November 1943 a contract was signed for the purchase of DC-4 equipment from Douglas. The Scandinavian governments had already exchanged landing rights with the U.S. and Sweden was training crews for trans-Atlantic operations with B-17's forced down within its borders when the war ended.

Negotiations were resumed and progressed fairly steadily. "There had been no opportunities during the war in Denmark or in Norway, as there had been in Sweden, for building up an organization and for recruiting and training personnel. Thus the three parties were not equally well prepared for the task. But in spite of this inequality there was an unanimous opinion that collaboration was necessary if Scandinavian aviation should be able to hold its own in the field of international competition." 40

The history of those stormy days seems even more remarkable now:

"... arrangements for a joint traffic were pushed ahead as though complete agreement had been reached on all points, even when sometimes during 1945 and 1946 it looked as though nothing would ever be finally settled. Planes were bought, personnel recruited and trained and offices opened in the USA and in South America. The agreement which was finally reached on the morning of the 1st August 1946 has proved itself to the satisfaction of all parties. The greatest difficulty was to find the most suitable form of collaboration. It was clear that there could be no question of setting up a corporation since a corporation would have to be registered either as Danish, Norwegian or Swedish." 41

The solution was found in the creation of a consortium, a type of enterprise familiar to DNl's Thomas Falck Jr. who had long been active in a Bergen maritime consortium regulating Norwegian shipping to South America. The agreement covered scheduled air services from Scandinavia to the Western Hemisphere, and provided, inter alia:

2. The Consortium—as such—is not a separate legal person, but shall externally to the public and internally to its staff appear as one unit...

3. The management of the Corporation shall be vested in a Board of Trustees (hereinafter called the Board), under which there shall be a Managing Director (hereinafter called the President). The division of the competency between these two instances shall sub-

41 Id.
stantially be the same as between the Board of Directors and the President in a stock company.

The Board shall consist of six members, two appointed by DDL, two by DNL and two by SILA (one of whom from AB Aerotransport—hereinafter called ABA).

Decisions of the Board shall be sustained by a majority vote and in case of a tie the Chairman shall cast the deciding vote.

In order to change the existing agreement, however, an unanimous vote shall be required. Also unanimity shall be required to appoint the President, who, however, may be dismissed by a majority of votes.

4. The Contracting Parties at their own expense shall procure such aircraft as may be necessary for the operations, such aircraft to be made available to the Consortium (see §7). It is the obligation of the Contracting Parties to arrange for insurance of the aircraft against all usual risks. The cost of this insurance shall be defrayed by the Contracting Parties.

It shall be the duty of the Board from time to time to make decisions concerning acquisition of substitutions for damaged aircraft or possible additions to the fleet, as defined in this agreement. The equipment to be made available to the Consortium by the Contracting Parties shall to the extent possible be in proportion to the respective shares each Contracting Party holds in the Consortium.

5. An organizational plan for the activities and staff of the Consortium shall be presented by the President for adoption by the Board. The staff for the administrative and technical departments including traffic, shall be made available to the Consortium by the Contracting Parties in accordance with agreements between the Board and the Contracting Parties. Such staff shall remain in the service of their respective companies but be subject to the strict jurisdiction of the Consortium, by whom they will be paid.

To the greatest possible extent the staff shall be of Danish, Norwegian or Swedish nationality. Equal distribution between the three nationalities should be attempted.

In Denmark, Norway and Sweden the Contracting Parties and ABA shall make available their organizations for traffic and sales service, as well as station service in the respective countries.

In South and North America separate undertakings shall be established in order to handle the traffic, sales and ground organization in the respective countries. These undertakings shall buy or rent offices and other facilities necessary for the air traffic, and shall employ their staffs. These undertakings shall be owned by the Contracting Parties mutually in proportion to their shares in the Consortium (see §7).

In other countries outside Denmark, Norway and Sweden the Consortium shall procure offices and other facilities at its discretion. Offices and other facilities owned or rented by SILA in these countries are hereby transferred to the Consortium at cost price.

Concerning repairs and maintenance, desired by the Board, agreements shall be concluded with ABA, DDL, DNL or other organization.

The cost of the daily maintenance and usual overhauls shall be charged to the Consortium.

The owners of the aircraft may decide where the overhauls shall be made.

6. Sufficient means for the operation of the Consortium shall be contributed by the Contracting Parties in proportion to the shares in
the Consortium (§7). Such subscribed working capital shall carry no interest.

7. When calculating the net result it shall be noted that all expenditures and revenues in connection with the air services and other activities of the Consortium shall respectively be credited or charged to the Consortium unless otherwise stipulated in this agreement. Further, to each company shall be credited an amount representing the fee paid for chartering the aircraft placed at the disposal of the Consortium from the time the aircraft may be put in service according to §§ 4 and 5. This fee shall be equivalent to the amortization of the purchasing price of the aircraft during a period of 6 years plus an annual interest of 6 per cent of the value of the aircraft subsequent to the annual amortization. Agreements as to chartering of aircraft should be identical.

Subsequently the net results of the operations of the Consortium shall be divided between the Contracting Parties in proportion to their shares which shall be: for DDL two sevenths; DNL two sevenths; and SILA three sevenths.

If aircraft belonging to one of the parties should be utilized to a considerably larger extent than aircraft belonging to the other parties, the former should be credited a reasonable compensation for increased expenditures in connection herewith.

11. In the event a member of the Board objects to a decision reached through a vote of the Board relative to an important question in connection with efficient operation, such as acquisition of material or contribution of additional capital, appointment of the President, or other questions of considerable importance to the Contractor he represents, he shall have the right to give notice of expiration of this agreement within one month from the day the objectionable decision was reached. The agreement shall then expire after a 6 months period, provided, however, that ordinarily notice of expiration may be given on January 1 and July 1. The Consortium shall then liquidate at the end of the 6 months period for which notice of expiration has been given. In case of serious disagreement as to the interpretation of this provision, the matter shall be submitted to the Board of arbitrators provided for in §13.”

A few weeks after this epoch making agreement was signed, the first SAS plane took off for New York and the great experiment had begun. The Board named as President Per A. Norlin, a young and able airline executive in Europe and a Swedish delegate on the 1939-1940 mission to the United States. The next route opened on November 30, 1946 when Scandinavia was linked with Montevideo via Lisbon, Dakar, Recife and Rio de Janeiro. A month later, this service was extended to Buenos Aires.

It was not easy at first, but each partner had something to contribute to the joint effort. Sweden could supply excellent maintenance facilities at Bromma Airport outside Stockholm, as well as dollars to buy U.S. equipment. Norway had trained crews ready for trans-ocean flying. Denmark had the experience of DDL and a fine international airport in Kastrup, sky crossroads of northern Europe. SAS hired a
number of American and British pilots, as well as U.S. citizen Peter Redpath to be Vice President in charge of operations.

The commercial direction was soon settled at Bromma, and additional facilities were constructed there. The DC-4 transports which had replaced SILA's converted B-17's soon gave way in turn to modern DC-6 equipment, and the maintenance shops were improved and expanded.

The results of this determined effort to make the Scandinavian test of international ownership and cooperation a success may be seen in part in the following statistics:

<table>
<thead>
<tr>
<th>Route</th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>Total, 1946-1948</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North America Route</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flights</td>
<td>104</td>
<td>610</td>
<td>631</td>
<td>1,345</td>
</tr>
<tr>
<td>Kilometers</td>
<td>713,592</td>
<td>4,140,000</td>
<td>4,180,000</td>
<td>9,083,592</td>
</tr>
<tr>
<td>Passengers</td>
<td>2,079</td>
<td>16,327</td>
<td>20,276</td>
<td>38,682</td>
</tr>
<tr>
<td>Baggage (kilo)</td>
<td>52,488</td>
<td>382,000</td>
<td>482,442</td>
<td>916,930</td>
</tr>
<tr>
<td>Freight (kilo)</td>
<td>52,220</td>
<td>218,889</td>
<td>194,612</td>
<td>465,721</td>
</tr>
<tr>
<td>Mail (kilo)</td>
<td>25,882</td>
<td>131,810</td>
<td>135,927</td>
<td>294,629</td>
</tr>
<tr>
<td><strong>South America Route</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flights</td>
<td>5</td>
<td>97</td>
<td>168</td>
<td>270</td>
</tr>
<tr>
<td>Kilometers</td>
<td>69,814</td>
<td>1,290,000</td>
<td>2,111,000</td>
<td>3,470,841</td>
</tr>
<tr>
<td>Passengers</td>
<td>77</td>
<td>2,755</td>
<td>6,080</td>
<td>9,912</td>
</tr>
<tr>
<td>Baggage (kilo)</td>
<td>2,016</td>
<td>71,572</td>
<td>156,236</td>
<td>229,824</td>
</tr>
<tr>
<td>Freight (kilo)</td>
<td>422</td>
<td>27,748</td>
<td>79,103</td>
<td>107,273</td>
</tr>
<tr>
<td>Mail (kilo)</td>
<td>248</td>
<td>9,731</td>
<td>28,769</td>
<td>38,748</td>
</tr>
</tbody>
</table>

The young consortium grew rapidly, and won the respect of its many experienced competitors on the North Atlantic. It earned a reputation as one of the most efficient carriers on routes where no quarter was given or asked. By 1948, SAS had proved itself in the eyes of many in air transport.

**European Program for S.A.S.—E.S.A.S.**

Some of the finest minds in Scandinavia and a number of the best air transport men in Europe were concerned with this development of S.A.S. They had the combined experience and business acumen of three thrifty nations to draw upon, and from this fund came a number of astute criticisms of the limited cooperation. The story of how and why Denmark, Norway and Sweden decided to “pool” their efforts, within Europe as well, is given in the report of the so-called Little Committee:

“The period immediately after the war placed air traffic in an exceptional position, the traffic demand being so heavy as to produce maximum bookings on the international air routes. However, the other means of communication gradually increased their traffic. Competition among the air companies grew more intense, and simultaneously the effects of the international economical and political difficulties were increasingly felt. In the course of 1947 it became more and more evident that under the pressure of difficulties from outside it was an untenable and irrational position to cooperate on the Atlantic routes and maintain competition in Europe, and that cooperation extended to

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48 The “Little Committee” consisted of one representative of each of the mother companies and functioned as a working group in 1949 to study methods of streamlining and modernizing the SAS organization.
comprise also the traffic in Europe would afford possibilities for a more rational operation. By such extended cooperation competition among themselves would vanish, and greater competitive power outwardly would be attained, and by a joint traffic planning and a rational utilization of the joint fleet a better operational economy would be possible.

"There was another question of great moment. Much work was done and considerable amounts of money spent—not least in North and South America—in effort to popularize the SAS lines and the name of SAS. But when a passenger from one of these countries arrived by SAS in Europe, and in the home of SAS, Scandinavia, he no more met the name of SAS, but three different companies, ABA, DDL, and DNL, a proposition quite incomprehensible to the passenger. It was soon realized, therefore, that if the name and repute of SAS should be widely known, the SAS insignia must be used in every region of the world where Scandinavian aircraft operated.

"At a board meeting in SAS in December 1947 the idea of an extended cooperation was taken up for consideration on the direct proposal of DNL. The subsequent negotiations resulted in the establishing as from April 18th, 1948, of joint operations by the three companies of European as well as domestic routes under the one name of SAS. At the time it was not ventured to go the whole length and establish collaboration in Europe on the same principles as on the Atlantic routes, but for national reasons each of the companies should continue to exist as an independent organisation. Each company should operate its share of the traffic program and defray its own operational costs with the exception of such costs as were agreed to be shared (including i.a. the joint ESAS departments in Scandinavia and abroad). The aggregate traffic revenue was to be pooled like the said mutual costs and shared among the three companies in proportion to the volume of traffic performed (ton-kilometers). The joint traffic agreement concluded January 28th-29th, 1948 was of a temporary nature as it was found desirable to gain more experience before the collaboration was given a definitive shape.

"Throughout the winter 1948/49 and the spring 1949 negotiations were conducted among the parties, during which DNL submitted a proposal (P.M. dated 18.3/49) to the effect that each of the companies should operate its own route program in Europe for its own account as regards revenue as well as expenses, but under the SAS insignia, while the OSAS collaboration should continue unchanged. The proposal further suggested joint pool operations of routes on which the parties competed, collaboration in questions of personnel, technical standardisation, traffic policy, etc. and certain mutual offices abroad. As unanimity on this proposal could not be reached, a meeting of the three Ministers of Transport and others was held with representatives of the three companies. At this meeting questions of principle were discussed, and the Ministers urged the companies themselves to find a solution based on a continued collaboration."

S.A.S. has had the attention of some of the outstanding business leaders in Scandinavia from its inception, and two of these men have played important roles in the negotiations and progress. They are Swedish banking magnate Marcus Wallenberg and Danish construction engineering authority Per Kampmann, who have added their vast experience to the knowledge of air transportation contributed by Per Norlin of A.B.A. and General Riiser-Larsen of D.N.L. and the statesmanship and legal thinking of Justice Eckhoff of the Norwegian Supreme Court. All of these men worked together to conclude a joint
traffic agreement of June 25, 1949 which created a European program for S.A.S. to be known as ESAS. The excerpts below from the text reveal something of the nature of the hybrid creature which stood somewhere between a pool and a consortium:

“1. Definition, Object and Name. As from January 1st, 1949, ABA, DDL and DNL establish co-operation in the form of joint traffic. The transport revenue derived from such joint traffic shall be divided between the parties according to the rules below.

Joint traffic shall mean that the parties operate services on routes that have been laid down in a traffic program prepared jointly by the parties.

The object of establishing joint traffic is to strengthen the position outwardly, and to create internally the best possibilities for rational operation to the benefit of the parties and to the air traffic of the three countries. The three parties shall in the best possible way assist and support each other in the joint traffic.

Internally among the parties, and in their relations towards the Scandinavian civil aviation authorities, the joint traffic shall be referred to as: Scandinavian Airlines, System, European Division, or ESAS. Outwardly OSAS as well as ESAS are operated under the joint name of Scandinavian Airlines System, or SAS. The parties’ aircraft shall be painted and decorated in accordance with the SAS-standard design agreed on, this also applying to aircraft operated in traffic which does not come within the scope of this agreement (domestic traffic).

“2. The Parties Individually. The joint traffic does not involve the establishment of any corporate body, and the parties shall continue as independent organisations.

“3. Scope. The joint traffic shall comprise all commercial, international air traffic with the exception of the present and future traffic operated by OSAS. The domestic traffic operated by the parties shall not be affected by the joint traffic.

While this agreement remains in force none of the parties may, without the consent of the other parties, carry on commercial, international air traffic outside the scope of the joint traffic, or be interested in other concerns carrying on such traffic.

As regards charter flights within the joint traffic there is concluded a special agreement among the three parties. Therefore, the provisions of these presents shall apply to scheduled operations only.

Domestic traffic shall mean traffic where the airport of departure and destination are located within the realm of the country concerned, and which has no regular commercial landing place outside the realm of the same country. Consequently, Danish flights to Greenland and the Faroe Islands, and Norwegian flights to Svalbard shall be considered as domestic traffic. If on such flights regular commercial landings are made outside the realm, a special agreement shall be made among the parties concerning a reasonable arrangement as to the transport revenue derived from such commercial intermediate landings on international territory.

In case the authorities in the Scandinavian country concerned as a consequence of the existing concessionary regulations require one of the parties to operate a certain international traffic which is not covered by the traffic programme prepared for the joint traffic, the party concerned shall beforehand offer such traffic to the other
parties for incorporation in the joint traffic agreement. If such offer is not accepted the party concerned shall then be free to operate the traffic for its own account.

"4. The Mutual Economic Responsibility of the Parties. The responsibility towards passengers, cargo and third party shall be borne by the party hereto whose aircraft (owned or rented) is used for the flight.

With regard to the financial obligations entered into by the departments duly authorized to do so under the joint traffic by the board of directors, the parties shall be jointly liable outwardly, while the mutual obligations shall be divided among the parties according to the provisions of article 13.

"6. Management. The supreme management of the joint traffic shall be vested in a board of directors (the ESAS board) which consists of the same persons as from time to time are members of the OSAS board of trustees. Each party hereto has one vote on the ESAS board.

The chairman and 1st and 2nd vice-chairman of the OSAS board of trustees shall hold the same offices on the ESAS board.

The ESAS board shall nominate a general manager for the administration of the joint tasks of the joint traffic. Establishment of the joint departments mentioned in article 7, appointments, discharges, discharges and payment of employees in responsible positions, and other important matters, shall be considered by the board. Within the scope of his responsibility, to be further defined by the ESAS board, the general manager's decisions shall be of binding effect to all three parties.

The resolutions of the ESAS board shall be unanimous and the board shall be at proper quorum only when all three parties are represented. In the event that the board is not at a proper quorum because not all three parties are represented, each party may demand that a new meeting be held with a notice of 8 days, and at that meeting the board will be at a quorum if only two of the parties are represented. At this meeting only such matters may be dealt with as were expressly indicated in the agenda of the first meeting.

"7. The Joint Departments. For the purpose of obtaining the most efficient execution and co-ordination of joint tasks which arise in connection with the joint traffic, the board may resolve to establish joint departments which shall be subjected to the general manager mentioned in article 6. Such departments can only be dissolved by a resolution of the board. The joint departments shall be considered as an administrative unit separate from the parties' own organizations. In the employment of personnel for more qualified work and in the training of personnel an even apportionment among the parties should be endeavored.

"8. The scheduled flights, which the parties are to undertake within the joint traffic, shall be set forth in a joint traffic programme which is to be approved by the board.

In the preparation of this traffic programme which shall be ready for each traffic period in due time before the beginning of the period (approx. 6 months), the object shall be—with due regard to the attainment of the most economical operation—to meet the estimated traffic demand. Endeavors should be made to assign the types of aircraft best suited for the individual routes.
Within the traffic programmes prepared on these lines, the three parties shall for the respective calendar year be entitled to the following shares in the total amount of offered normal tonkm. to such an extent as the practical arrangement permits: ABA 3/7; DDL 2/7; DNL 2/7.

The number of normal tonkm. shall be calculated as the normal payload multiplied by the distance. Normal payload shall be calculated as the average payload of the three parties' aircraft of the same type, or type variant, which are used in the traffic programme, this payload being fixed on the basis of the distance calculations and the corresponding normal tankage of the route analyses. The distance is calculated according to the shortest distance of the route analyses between two airports with the addition of 30 km for DC-3 and Vickers Viking, and 40 km for DC-4 and DC-6.

In the preparation and carrying out of the traffic programme endeavors shall be made to ensure that the parties' utilization in flying time of the same type of aircraft becomes uniform in so far as is possible. Each party will be allotted its particular task within the traffic programme.

"11. Domestic Traffic Programme. The preparation of the traffic programme for the parties' domestic traffic shall be undertaken by the parties themselves. However, in the preparation of the programme close co-operation shall take place with the joint traffic planning department in order to obtain a rational utilization of the aircraft fleet and the possible co-ordination of the domestic and the foreign traffic.

On the approval of the traffic programme mentioned in article 8, an arrangement shall be made among the parties as to whether certain domestic routes, which are essential international connections, shall, wholly or in part, be incorporated in the joint traffic-pool.

"12. Division of Revenue. All traffic revenue originating from air transport within the joint traffic shall be divided between the parties in proportion to their (within the joint traffic) actually offered shares of the aggregate number of tonkm. (within the joint traffic) actually offered within a calendar year. Extra flights, duplicate flights and transfer flights shall be included in the calculation of normal tonkm. Traffic revenue shall mean any payment for completed or ordered transportation of passengers, baggage, mail and cargo which the companies may receive in their capacity of carriers. In the instances in which the parties enter into pool traffic with other airlines, the amounts of profit thus derived shall be added to the revenue that is to be divided as outlined above. In case the assignments to such pool traffic are made on directions different from those generally adhered to by the parties the parties shall enter into negotiations for the purpose of establishing the method of calculation to be applied for the settlement of such traffic.

A statement of the apportionment among the parties of the transport revenue accumulated during the year shall be made each month on the basis of the actually offered normal tonkm. accumulated during the same period.

"13. Apportionment of Expenses. Each party shall in principle defray the operating expenses in connection with flights performed in the joint traffic. However, the board of directors may resolve that certain expenses, by exception, shall be apportioned among the parties, and fix the rules for the apportionment of such expenses.
"14. **Ground Organization Maintenance.** The parties agree to make available for each other in their respective home countries such ground organization service as is necessary for their traffic, and in this connection there is to be made special arrangements which in principle shall be uniform. . . .

"19. **Foreign Currency.** In principle each party shall have its share in the receipts in foreign currency which is derived from the joint traffic; likewise, each party shall in principle make available its share of the foreign currency necessary for covering joint expenses.

"20. **Unreasonable Hardship Resulting from the Joint Traffic.** In case the carrying out the joint traffic according to this agreement appears to involve unreasonable hardship for one of the parties on account of unforeseen or unforeseeable circumstances, it is agreed to take up negotiations with a view to eliminating such hardship.

"22. **Termination.** If at any time one of the parties is of opinion that the purpose set forth in article 1 of the establishment of the joint traffic has not been attained, the party concerned shall be entitled to terminate the agreement at a notice of not less than 6 months, such termination to be effective at the end of the traffic season, or at any other time as the parties may agree upon. . . ."

This European Division of S. A. S., with its unusual structure and highly complex method of operation, set up shop with a staff at its Copenhagen headquarters and went to work. ESAS had actually been functioning in a different form since the three mother companies signed the promemoria developed at the January 28, 29, 1948 Oslo conference. When ESAS had begun in 1948, it utilized a system of committees instead of the joint departments inherent in the 1949 agreement. Each such committee had a Dane, Norwegian and a Swede. They experimented with the delegation of functions, so that the Traffic Committee, for example, soon had the Norwegian doing sales, the Swede planning and the Dane organization. Viggo Rasmussen, 35 year old DDL executive who had done a brilliant job for the Danish carrier, had the difficult job of serving as general manager of ESAS and he quickly realized that "You cannot run an airline with committees." His outspoken recommendations were influential in the decision to use departments instead.

The 1948-1949 period was a trying one for the Scandinavian Airlines System and the mother companies. European traffic was being divided with many competitors and ESAS was having an abundance of growing pains. The Danish, Norwegian and Swedish carriers suffered at home from rising costs and the necessity to rationalize rapidly overexpanded organizations. A lot of unexperienced people had been hired by the parent companies and SAS in 1946 and 1947, and many of these had to be fired after expensive training in 1948 and 1949. The

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44 Official translation of ESAS Agreement.
45 Statement made to author in August 17, 1950 interview in ESAS headquarters at Kastrup Airport outside Copenhagen. Much of the information in this section of the article is based on personal conversations with the chief executives of SAS in 1950 and 1961.
reductions were not among air crews, for OSAS was starting to make
its way to the forefront on the North Atlantic and traffic was coming
along nicely on the route to South America. But excess office personnel
were pared from the payroll. Both ESAS and OSAS found the number
of political problems growing, as increasing international competition
led quite a few countries to impose all sorts of traffic restrictions and
limitations on landing rights. The situation was not too bad for OSAS,
which had made excellent progress under the capable direction of for-
mer-DNL boss Per Backe, on the relatively free Atlantic routes.
ESAS, which was operating all over non-communist Europe, most of
the Middle East, and down to Nairobi, was constantly negotiating for
the essential permits and concessions.

In these discussions, the Scandinavians have cleverly used their na-
tional positions to the best advantage. Sweden deals with the United
Kingdom, for example, because the British buy from the Swedes.
Denmark could not handle such talks, as the Danes are dependent on
selling to the U. K. When OSAS was preparing its new service to the
Far East, however, DNL could not participate because of the conces-
sion granted to the private Norwegian carrier S.A.F.E. and the opera-
tion of the other Scandinavian airline created certain political diffi-
culties for OSAS. The discussions for landing rights have been con-

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46 Mr. Backe is an able lawyer less than 40 years old, who came to air trans-
port after World War II and got some experience as a DNL executive before join-
ing OSAS. His many talents, not the least of which is a capacity to get along
easily with some of the more nationalistic elements in the consortium, have made
him particularly useful to SAS.

47 S.A.F.E. is the South American and Far Eastern Airlines of wealthy Nor-
wegian shipowner Ludwig Braathens, who began non-scheduled operations after
World War II and developed a lot of business carrying merchant seamen before he
secured a concession from the Norwegian government to initiate regular services
between Oslo and Hong Kong with his small fleet of DC-4 transports.

48 The difficulties are twofold, including problems within Scandinavia as well
as relations with other countries. When Mr. Braathens applied for a permit to
run scheduled services to the Orient, the Norwegian government consulted DNL
and DNL took up the question with ABA and DDL. It was decided that SAS
would not begin its services to the Far East for some time, so DNL indicated to its
government that the partners did not object to the S.A.F.E. operation. Braathens
began flying and was developing some traffic when ABA and DDL urged that SAS
put forward the date of its own operation to the Orient. A large part of the sen-
sitive Norwegian public was aroused by the jingoist branch of the Oslo press
which branded the change as a betrayal, although SAS had never said that it
would not fly to the Pacific. Mr. Braathens charged that heavily subsidized social-
ized corporations were out to destroy his thriving little example of profitable free
enterprise. He won some support from conservative elements in Norway who
were against the Labor Party government which was financing DNL, and he was
backed by a few sensational nationalist papers who use the historic distrust to-
wards Sweden to stir up feelings and stimulate circulation. The Swedes reacted
somewhat touchily to these charges. Meanwhile, public opinion in Norway forced
the government to order DNL not to participate in the Far East service of the
consortium. Outside Scandinavia, there were problems with countries en route to
the Pacific which had already granted landing rights to one Scandinavian carrier,
i.e., S.A.F.E. The U.K. used this as an excuse to keep SAS out of Hong Kong.
Until the line was extended to Tokyo in 1951, SAS had terminated its flights to
Asia at Bangkok. Mr. Braathens has continued his services each week and his
frequent statements to the press denouncing SAS as a betrayal of Norway's fu-
ture in the sky. There are signs that S.A.F.E. is no longer a profitable venture,
and it may not survive the expiration of its permit in 1954.
ducted by SAS executives, by air transport officials in one or the other Scandinavian governments, or by mixed delegations. The negotiations have not been easy, for SAS is a carrier which does not originate too much traffic from its national termini and which is largely dependent on Fifth Freedom and local traffic. The Scandinavians can offer excellent transportation in modern equipment, but they cannot give very much traffic in exchange. The result is a difficult bargaining position. ESAS has been literally forced into at least two pools with terms that could hardly be classified as attractive.

The mother companies did not do well in 1948, and both OSAS and ESAS lost money. The financial situation was becoming extremely precarious for DNL in particular, and it was clear that SAS would have to find a more economical way to continue. OSAS sold its Boeing 377 Stratocruisers to B.O.A.C. before delivery. After the sale of the small fleet of Vickers Vikings, the decision was made to standardize insofar as possible with U. S. aircraft. This was not easy to do, as DNL was operating JU-52 transports and Sandringham flying boats and ABA had a number of SAAB Scandias on order.

Traffic was fairly good, but expenses were too high. SAS had five organizations (A.B.A., D.D.L., D.N.L., ESAS, and OSAS) doing the job of one. There was an enormous amount of duplication, conflict, and unnecessary paper work. There was also a continuing jockeying for position within the SAS organization and a struggle for national profit each time a new ESAS traffic programme was composed. The provision for division of revenue on the ton-kilometer basis of article 12 of the 1949 agreement encouraged such internal rivalry. There were also problems created by (1) staff without much experience in air transport who had to learn (2) personnel with many years of airline work who were slow to adopt modern methods and ways of thinking. The many efficient members of the SAS team lost a good deal of time traveling to meetings and conferences almost every week.

There were additional pressures generated by long-standing national rivalries. The financial situation continued to deteriorate, and in September of 1949 the Norwegian Minister of Transport announced that he “could not approve the agreement of June 25th, 1949, and demanded of DNL that they give notice of terminating the agreement by April 1st, 1950.” This would have meant the end of ESAS, and a great loss of faith in the future of Scandinavian cooperation in the air.

But the men who were guiding SAS were not asleep, and had had

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49 ABA took over SILA in 1948.
50 The Scandia was attractive in 1948, but seems a bit out of date as a 1951 plane. Several were sold to Brasil, and it is possible that the consortium may dispose of the others within a few years.
51 These go back to the inter-Scandinavian wars centuries ago, and are also related to the differences in national size, wealthy, and popular personality. The tension is strongest between the Norwegians and the Swedes, but it should not be considered as a major threat to the future.
52 Little Committee Report, p. 5.
already named a "Little Committee" of three 53 to investigate possible reforms. The excerpts below from their report are the first selections from the official text of that secret document which SAS has authorized to be published:

"The committee has endeavored to establish the status of the most important advantages and disadvantages embodied in the collaboration and expresses its opinion to the effect that the advantages gained in the collaboration are so momentous—viewed from an aviation aspect as well as national, Scandinavian interests—that a collaboration in a rationalised and judicious shape ought to be maintained, and that it would be a misfortune for all parties if the collaboration were dissolved. The committee will carry general social interests for the three countries, and that only by such operation is it possible to cover Scandinavian air traffic demand now and in the future in a manner satisfactory to Scandinavia.

"The committee believes . . . that through a radical change of the joint organisation considerable reduction of expenditure is possible . . . The proposal put forward for consideration by the committee proposes the entire SAS consortium to be governed as one concern on joint account and risk under one board and one managing director. The proposal implies the formation of a SAS consortium to take over the entire operation of the concern. Aircraft and buildings are to remain the property of the individual mother companies. ABA, DDL, and DNL are to hold shares in this consortium in certain proportions. ABA, DDL, and DNL will continue to exist as independent national limited liability companies, their operations, however, to be effected purely in their solidarily responsible partnerships in the SAS consortium.

"Advantages.

. . . Because the revenue of all the lines of this program is pooled and thus benefit all three companies, there is no individual advantage in operating the 'fat' rather than the 'meager' lines of the program. The joint traffic program can, therefore, be prepared rationally to the greatest advantage of all three parties . . . This rationalisation of operations have opened far better possibilities of attaining good bookings in proportion to the existing traffic potential. The joint fleet of aircraft too proffer great advantages, facilitating more effective utilisation of each aircraft, and a reduced number of reserve aircraft and stock of spare parts.

The joint traffic program also allows coordination of all SAS lines inside as well as outside Europe into one routing network, which has given good results in carrying traffic to and from the inter-continental routes . . . The joint offices abroad in reality means a saving compared with what an equally effective sales effort would cost the three companies when working individually . . .

. . . SAS have gained a foothold on the international routes, which undoubtedly would have been extremely difficult separately in view of the increasing difficulties in obtaining the freedoms required for scheduled air transport . . . The SAS collaboration and the ensuing cooperation of Denmark's, Norway's and Sweden's foreign ministers and air authorities have made it possible to negotiate on equal basis with foreign governments and competing

53 In August of 1949, Einar Isdahl (DNL), Per Kampmann (DDL), and Marcus Wallenberg (ABA) began their investigation of the future changes in the SAS.
companies, and to exert a power unobtainable by the individual company.

"Disadvantages.

... the home organisation of the three mother companies and the two joint concerns—OSAS and ESAS—with five managements is vague, complicated, and costly. Questions of even little importance have to be agreed by all these concerns, and it is difficult in practice to comply with the lines of reference on competence when decisions have to be made...
much double work is done, as they each do every type of work required for the operation of an air company. It has also been experienced that in several instances the three companies are not availing themselves of the full consequences of the collaboration as they still perform certain types of work which could cheaper and more effectively be done by the joint departments, and vice versa.

The system according to which the revenue of the joint traffic is divided in proportion to the tonne kilometres flown by each of the three companies tends to entail sectionalism. The individual companies see their interests in performing as many tonne kilometres as possible of the traffic program scheduled so as to secure the largest possible percentual share of the traffic pool. It is also of interest to the individual companies to operate with the material requiring the lowest operational cost per tonnekm., and hangar work too gives rise to separate interests, and so does the unequal division of the various types of the aircraft fleet.

The heavy organisation at home, and the many separate financial interests of the individual companies occasion a large number of meetings, preparation of a large number of reciprocal calculations and detailed information, partly of the daily work and partly for submission to the managements and to SAS’s board. Such work is non-productive and binds—on the part of the board as well as large parts of the staff—efforts and initiative of which the normal operation is thus deprived. The inter-company accounting system is extremely complex and costly.

The complex nature of the internal organisation involves difficulties in the cooperation with the air authorities of the three countries, who are interested in distinctly defined responsibilities.

"The agreement should be concluded for a long term of years (20-25 years). In order to attain clear lines of reference and to avoid financially separate interests SAS should take over every branch of industry that the mother companies operate jointly or separately.

"As the three mother companies are jointly and severally responsible for the liabilities of the consortium, it is considered necessary that the capital and financial resources are adapted to each company’s share in SAS. The scope of operation, the size of the organisation and the fleet should as far as possible be adapted to the current traffic potential, and extension of international operations should be undertaken when—on shorter or longer terms—it is deemed justifiable from a business point of view.

"In each of the three capitals will be appointed a regional manager the three local managers shall be responsible to the managing director. the committee suggests that the managing director hold office until further is established in Stockholm.

"In the judgment of the committee the change in organisation may occasion the total savings of about 14 million Danish kroner in all on a
cost budget like the one of about 176½ million for 1949—or about 8%.

“Aircraft and buildings to be placed at the disposal of SAS against payment of a fee to the owner company. To avoid sectionalism in fixing the amount of such fees the inter-change of aircraft among the companies ought presumably to be done in such a way that they will possess a number of each type which as far as possible corresponds to their number of shares in the consortium.

“It is of great moment that an arrangement is made as soon as at all possible. As is well understandable, much uncertainty and disquiet prevail within the three mother companies and in OSAS and ESAS after it has become known that negotiations on a new organisation are taking place, and particularly after it has become known that the Norwegian Ministry of Transport has refused acceptance of the joint traffic agreement. It is praiseworthy that the working spirit and efforts do not seem to have been much influenced by it as yet, but it does not serve the interests of the companies that these uncertain conditions continue. It is also the staff’s due that peaceful working conditions and security for the future is established as soon as possible.”

The report of the Little Committee was a turning point, which marked out the route which was to lead to a single efficient consortium in which the mother companies participate only as holding companies. The leaders of Scandinavian civil aviation thought long and hard about the down to earth recommendations of the three experts, and the months of negotiations began. There were some airline executives who were quite open in their opposition to the plan, both for nationalistic and personal reasons. The question was discussed in many newspapers, for the essence of the proposal was given to the press. While some people said that it could not be done and others that it should not be done, men like Marcus Wallenberg and Per Kampmann knew that the Scandinavian countries had to consolidate their efforts in one operating airline. Commentators in many countries have criticized the idea of international ownership as a distant dream, hardly feasible today. A dozen persuasive reasons have been advanced to prove that it was not practical. Yet it was the so called realists who were proven to be the theoreticians, for the executives of the three governments and couriers went to work and talked it out carefully. They held scores of meetings in 1950, ranging from top level diplomatic conferences to routine sessions of working groups of specialists. The driving forces were Wallenberg and Kampmann, a financier and a master engineer. They were both practical men who had made fortunes before entering aviation, and they joined their common sense and desire for Scandinavian cooperation with the air transport know-how of Messrs. Norlin, Backe and Rasmussen. The result was a new consortium agreement which was submitted to the Norwegian parliament, then the Danish, then the Swedish. The opponents of the measure denounced it bitterly in the Oslo press, but it was accepted. The Danish cabinet fell, but the new government approved the pact. There was no trouble in Sweden.
On February 8, 1951, the agreement establishing the new SAS consortium was signed in Oslo. It is to last for 25 years, and it embodies the recommendations of the Little Committee. It is very probably not a perfect agreement, but it will do as a working document for the men who will run SAS. There is but one airline now, and it will be run as a business. SAS exists because some very experienced Scandinavians believe that a single carrier in consortium form is the most economical way for the three countries to engage in scheduled air services. They do not regard it as a form of "denationalization" which will lead to air disarmament; they do not worry too much about the glories of international cooperation or the elimination of rivalries. SAS is not an instrument of any grand project; it is an airline and its management means to make money. The three governments mean to get efficient air service at a low cost, and to develop an enterprise which is an operating air transport reserve.

The new SAS is getting settled at Bromma Airport outside Stockholm, where President Norlin and Vice Presidents Rasmussen and Backe are building their organization. They have ordered more DC-6s and a score of Convairs. They are looking to the future as practical men, striving for a rationalized carrier and convinced that the new consortium will succeed. Other countries may study the evolution of the Scandinavian Airlines System, and it will surely be treated in the survey of cooperation in international civil aviation which the French Air Transport Institute is preparing for ICAO. There is a lesson to be seen, one which the Scandinavians learned over many years. The idea of joint ownership was originally rejected by Carl Florman of ABA in a 1933 paper to the Air Transport Committee of the International Chamber of Commerce, but he later came to understand the possible benefits. The moral is that (1) it is not necessary for each country to have a national carrier (2) few nations can afford extensive international air services (3) countries which want to engage in such operations can do so in some form of joint venture (4) and it will have a good chance of success if the people of those countries want it badly enough to divorce their joint airline from petty politics and run it as a business. For SAS means business.