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THE CERTIFICATION OF LOCAL AND FEEDER AIR CARRIERS*

Paul D. Zook**

INTRODUCTION

It is... Ordered, That there be issued to Essair, Inc. [now called Pioneer Air Lines, Inc.], a certificate of public convenience and necessity authorizing it... to engage in air transportation with respect to persons, property, and mail between the terminal point Houston, Texas, the intermediate points Austin, San Angelo, Abilene, and Lubbock, Texas, and the terminal point Amarillo, Texas.1

IN this decision on November 5, 1943, the Civil Aeronautics Board (CAB) approved the initiation of an experiment in local and feeder air transportation. The then existing air routes were designed principally to serve relatively large population centers. Because of this, a demand appeared for the extension of the air network to include smaller communities. Under the existing standards of the CAB, service to these smaller population centers did not appear to be warranted. Nevertheless, the Board thought that it saw some possibilities of advantage in the extension of the domestic air network. Because of this, and because of the demand for the service and the eagerness of numerous parties to undertake the service, the Board approved the local and feeder air experiment.2

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*The material in this article was gathered for a thesis which the author is currently preparing. The thesis, entitled “Local and Feeder Airlines and Public Policy,” will be submitted to the Economics Department of the University of Illinois as a partial requirement for the Ph.D. degree.

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2 Investigation of Local, Feeder, and Pick-up Air Service, 6 C. A. B. 1, 3 (1944). The examiners' report prepared in the investigation cited stated that there were 233 applicants for new service to a total of 3,097 additional cities. Proposals then pending before the Board would have increased the existing 45,254 route miles to 367,468 miles. Id. at 10.
There have been various attempts to explain the meaning of the phrase "local and feeder air transportation." One explanation has emphasized the "feeder" aspect of the operations. Along this line it was said that these carriers would not carry much traffic which was restricted to their own lines, but would channel their traffic into and out of major terminals — feeding it into and dispersing it from the large airlines. The trunk lines would complete the service, transporting the passengers and property between the major terminals.  

Another explanation of the phrase has stressed the "local" character of the operations. It is said that the service is designed to provide improved transportation between the small communities in one geographic region and between the small communities and their major metropolitan centers. In this type of operation there would be relatively little "feeding" into and "dispersing" from the trunk lines. The primary advantage of the local and feeder route would appear in the form of more rapid transportation available to the communities within the region.

The Civil Aeronautics Board, however, has not found it necessary to provide a precise definition of the type of service to which it gave its first approval when it certificated Essair to operate between Houston and Amarillo. It has indicated only that the characteristics of the operations were "service to smaller communities or service for relatively short distances. . . ." The actual operating results of the experimental program authorized show both the "local" and the "feeder" characteristics of the service.

Although the certificate of convenience and necessity which gave Essair official approval for local service between Houston and Amarillo was issued in 1943, it was almost two years later before flights over the route were begun. The delay was occasioned by

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4 See *1950 Report of American Bar Association Standing Committee on Aeronautical Law*, 17 J. Air L. 468 (1950), for this explanation of local and feeder air transportation.
an appeal to the federal courts from the Board’s decision by Braniff Airways, Inc. Braniff contended that the Board acted improperly in granting Essair a certificate. When the United States Court of Appeals for the District of Columbia remanded the proceedings on January 29, 1945, further hearings were held, after which the Board issued an order on April 19, 1945, affirming the certificate which had been issued in 1943.

Since the initial approval was given for the inauguration of local and feeder air transportation in 1943, not only has the program been continued, but the scale of the experimental operations has been multiplied several times. Essair’s (Pioneer’s) authorization, originally for a three-year period, has been extended twice. And the size of the experiment has been increased by the authorization of more firms to participate in this type of operation and by the addition of many miles to the approximately 640 for which Essair originally was certificated.

Table I shows the local service carriers which were in operation on May 1, 1952, the authorized route mileage of each carrier, and the total miles flown by the carrier during the twelve months ending June 30, 1952. The authorized route mileage varied from the 553 miles awarded to Robinson Airlines to the 4,811 miles for which Frontier was certificated. It must not be assumed from the name “local and feeder airlines,” which is applied to these carriers, that they are uniformly smaller companies than the so-called “trunk lines.” Frontier’s 4,811 authorized route miles exceeded that of five trunk line carriers—Continental Air Lines, 4,252; Northeast Airlines, 2,833; National Airlines, 2,829; Inland Air Lines, 1,913; Colonial Airlines, 1,378. And it can be seen from Table I that nine of the local service operators had authorized

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6 Braniff Airways v. Civil Aeronautics Board, 147 F. 2d 152 (1945).
route mileage which was greater than that of the smallest trunk line — Colonial, 1,378.9

<table>
<thead>
<tr>
<th>Local Service Operator</th>
<th>Authorized Route Miles May 1, 1952</th>
<th>Revenue Passenger-Miles in thousands 12 months ending June 30, 1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>All American Airways</td>
<td>2,100</td>
<td>28,076</td>
</tr>
<tr>
<td>Bonanza Air Lines</td>
<td>1,324</td>
<td>8,181</td>
</tr>
<tr>
<td>Central Airlines</td>
<td>1,361</td>
<td>5,828</td>
</tr>
<tr>
<td>Empire Air Lines</td>
<td>754</td>
<td>9,012</td>
</tr>
<tr>
<td>E. W. Wiggins Airways</td>
<td>782</td>
<td>311</td>
</tr>
<tr>
<td>Frontier Airlines</td>
<td>4,811</td>
<td>29,925</td>
</tr>
<tr>
<td>Lake Central Airlines</td>
<td>655</td>
<td>5,316</td>
</tr>
<tr>
<td>Mid-Continent Airlines</td>
<td>1,647</td>
<td>8,912</td>
</tr>
<tr>
<td>Mid-West Airlines</td>
<td>1,280</td>
<td>356</td>
</tr>
<tr>
<td>Ozark Airlines</td>
<td>2,407</td>
<td>10,772</td>
</tr>
<tr>
<td>Piedmont Aviation</td>
<td>1,991</td>
<td>47,505</td>
</tr>
<tr>
<td>Pioneer Airlines</td>
<td>1,997</td>
<td>44,779</td>
</tr>
<tr>
<td>Robinson Airlines</td>
<td>553</td>
<td>15,745</td>
</tr>
<tr>
<td>Southern Airways</td>
<td>2,117</td>
<td>19,577</td>
</tr>
<tr>
<td>Southwest Airways</td>
<td>1,272</td>
<td>27,034</td>
</tr>
<tr>
<td>Trans-Texas Airways</td>
<td>2,219</td>
<td>16,761</td>
</tr>
<tr>
<td>West Coast Airways</td>
<td>864</td>
<td>12,556</td>
</tr>
<tr>
<td>Wisconsin Central Airlines</td>
<td>2,572</td>
<td>10,088</td>
</tr>
</tbody>
</table>

1 A merger of Empire Air Lines and West Coast Airways was approved on June 27, 1952, in West Coast Empire Merger Case, Order Serial No. E-6550 (1952).
2 The request of E. W. Wiggins Airways for a renewal of its certificate on October 21, 1952, was denied in Wiggins Renewal Investigation Case, Order Serial No. E-6904 (1952).
3 The figures for Mid-Continent Airlines are only for route No. 106, a local service route operated by this company which in other operations is a trunk line.
4 Mid-West Airlines discontinued operations on May 15, 1952, pursuant to the Board's refusal to renew this carrier's certificate in Mid-West Certificate Renewal Case, Order Serial No. E-6311 (1952).
5 Robinson Airlines' name was changed to Mohawk Airlines, Inc., Order Serial No. E-6689 (1952).

Table II shows the development of local and feeder operations as measured by the revenue passenger-miles flown by these carriers from the fiscal year ending June 30, 1946, to the same period in 1952. The table reveals a rapid growth in the service of the local and feeder airlines. The year to year percentage increase was never less than 29 per cent. The maximum annual expansion, from 1946 to 1947, was 445 per cent.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Passenger-Miles Flown (in thousand of miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>3,680</td>
</tr>
<tr>
<td>1947</td>
<td>20,082</td>
</tr>
<tr>
<td>1948</td>
<td>63,734</td>
</tr>
<tr>
<td>1949</td>
<td>111,912</td>
</tr>
<tr>
<td>1950</td>
<td>156,620</td>
</tr>
<tr>
<td>1951</td>
<td>239,942</td>
</tr>
<tr>
<td>1952</td>
<td>309,734</td>
</tr>
</tbody>
</table>


**Legislative Basis for the Local and Feeder Experiment**

When the Civil Aeronautics Board decided to authorize local and feeder air service, it found its authority for doing so in the Civil Aeronautics Act of 1938. The Act was passed by Congress when the Air Commerce Act of 1926 and the Air Mail Act of 1934 proved to be inadequate to meet the evolving problems of regulating an expanding industry. The Act as presently amended provides the basis for the present regulation of commercial air transportation in the United States.

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11 See A. J. Thomas, Jr., Economic Regulation of Scheduled Air Transport (Buffalo: Dennis & Co., Inc. 1951), for a history of the regulation of commercial air transportation in the United States.
The Act makes no direct reference to local and feeder air transportation; it does charge the Board, however, with,

(a) The encouragement and development of an air-transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense;

* * * * *

(f) The encouragement and development of civil aeronautics.\(^\text{12}\) The requirement to encourage and develop was interpreted by the CAB to mean, among other things, that it had a responsibility not only to permit, but also to promote the extension of air routes to the smaller populated points of the nation not then receiving air service.

The Board also considered that it had a duty to determine what role local and feeder air service to the smaller communities might play in the present and future national air system.\(^\text{18}\) It was felt that this role could be determined only on the basis of information acquired from actual operating experience with this type of service. Hence, the Board thought that it had an obligation to authorize operators to obtain experience in this type of operation. It said,

The rendering of local air transportation service... presents a difficult economic problem to which a great deal of study is being devoted and it is desirable that this study be supplemented by the accumulation of actual experience with new types of operation of particular interest or of potential importance.\(^\text{14}\)

Although the Civil Aeronautics Board felt that the Civil Aeronautics Act of 1938 imposed on it a responsibility to encourage the extension of air service to the smaller populated centers of the nation, the Board also felt that the Act provided certain limitations to this extension. The Act charges the Board with,

\(^{12}\) § 2.

\(^{18}\) Investigation of Local, Feeder, and Pick-up Air Service, 6 C. A. B. 1, 3 (1944).

\(^{14}\) Continental Air Lines, Inc., et al., Texas Air Service, 4 C. A. B. 478, 484 (1943).
(b) The regulation of air transportation in such manner as to recognize and preserve the inherent advantages of, assure the highest degree of safety in, and foster sound economic conditions in, such transportation, and to improve the relations between, and coordinate transportation by, air carriers. \footnote{15}

The Board has recognized the limiting force of this provision of the Act. In a study it undertook of the desirability of experimenting with this type of service it said,

... we have an ... obligation to foster sound economic conditions in air transportation. ... [W]e have an obligation to avoid the adoption of an ill considered policy with respect to a general expansion of air service that would endanger the results thus far achieved under the enlightened national policy established by ... [the] Act. \footnote{16}

Acknowledging the requirements to foster "sound economic conditions" in air transportation and to improve the relations between air carriers, the Board has taken the position that it must not authorize local air service indiscriminately and without regard to the effect such authorization will have on the economic conditions of existing air carriers. \footnote{17} Thus, although the Board has felt impelled to encourage experimentation in local service air transportation under paragraphs (a) and (f) of Section 2, it has also felt that it is required under paragraph (b) of the same Section, to maintain a restraining hand on the experiment. This restraint has been exercised by controlling the amount of local and feeder service which may be offered.

The amount of local and feeder service which is offered is governed in the first place by the number and size of the routes authorized, and in the second place by the intensiveness with which the authorized routes are developed. The latter question — the number of flights scheduled and flown over the authorized local service routes — is controlled by the CAB through its mail pay policy. In general, the Board is inclined to "permit" a minimum frequency of schedules which provides for two round-trips daily.
over the authorized mileage. This "permission" is exercised through the Board's willingness to permit as allowable expenditures in determining a carrier's mail pay requirements only those which were incurred in flying the minimum of two round-trips daily. If the carrier's schedules exceed the two round-trips a day, the Board has taken the position that the additional revenue derived from the extra trips must cover the additional costs of the extra trips. 19

The number and size of the local service routes are controlled by the CAB under the provision of the Act which requires all carriers engaged in air transportation to obtain from the Board a certificate authorizing such transportation. 19 The Board is required to issue a certificate if it finds that the applicant is "fit, willing, and able to perform such transportation properly," can conform to the provisions of the Act and the regulations of the Board, and "that such transportation is required by the public convenience and necessity. . . . "20 In addition there must also be a showing that the carrier is a citizen of the United States. 21

In the cases involving the authorization of local and feeder air service the first concern of the CAB has been to determine whether the public convenience and necessity requires the proposed service. If the finding is in the affirmative, the Board then proceeds to a finding of whether an applicant is fit, willing and able to provide the service.

18 Trans-Texas Airways, Mail Rates, Order Serial No. E-4449, pp. 6-7 (1950). The Board's mail pay policy on the local and feeder airlines is outside the scope of this paper. A complete discussion of this question will appear in the thesis which the author is preparing under the supervision of the Economics Department at the University of Illinois.

19 § 401 (a).
20 § 401 (d).
21 § 1(2), (13). This last requirement has not been a deterrent to the approval of any application for local and feeder air service to date.
CERTIFICATION OF LOCAL AIR CARRIERS

GENERAL STANDARDS OF CONVENIENCE AND NECESSITY

In one of the early cases before it, Delta Air, et al., Service to Atlanta and Birmingham,\(^{22}\) the CAB enumerated the questions it would ask in determining the public convenience and necessity in proposed new air routes. Although the case was one involving an expansion of trunk line service, the Board policy expressed therein is of interest in discovering the extent to which the same standards have been applied to determine the public convenience in local and feeder air service. The questions were: (1) will the new operations serve a useful public purpose responsive to a public need? (2) can and will the service be provided adequately by existing routes and carriers? (3) can the service be performed by the applicant without impairing the operations of existing carriers contrary to the public interest? and (4) if there is a probable cost to the Government, will the benefits of the new service outweigh these costs?

The first three questions are those which are customarily considered by representatives of the public in evaluating the public convenience and necessity in new public-service operations. In determining whether there is a public purpose responsive to a public need the governing agency evaluates the market for the proposed operations. Does it appear probable that the market, considering the extent, if any, to which it is currently being supplied, will support the added enterprise? Secondly, the agencies must decide whether it would be in the public interest to permit existing firms to perform the service. Thirdly, there must be a decision as to whether the authorization of the applicant would provide such uneconomic conditions for existing firms that it should not be granted.\(^{23}\) In the application of these questions to proposed new air services the CAB is following the precedent set by nu-

\(^{22}\) See Ford P. Hall, Certificates of Convenience and Necessity, 28 Mich. L. Rev. 107, 276 (1929-1930), for a discussion of the use of certificates of convenience and necessity in public-service enterprises other than air transportation.
merous public bodies which have supervised the granting of certificates of convenience and necessity.

It is in the fourth question — if there is a probable cost to the Government, will the benefits of the new service outweigh these costs? — that there is significant departure in the regulation of air transportation from the standards which generally are applied in evaluating new public-service operations. The Board has said,

Section 406 (b) [of the Civil Aeronautics Act] which provides for the fixing of compensation for the carriage of mail at a level which takes into consideration, among other things, the need of the carrier for revenues sufficient to insure the maintenance of the mail service, substantially alters the conventional standard [applied in measuring public convenience and necessity — that there shall be a demand for the proposed service which will remunerate the carrier to an extent sufficient to justify him in maintaining it]. Under the Act the question of the public convenience and necessity involves a determination of the amount of government expenditures which would be justified by the degree of public interest and value attaching to the particular route, and by the amount of service that such a route might be expected to render.\(^{24}\)

It is apparent that if it is found in the administration of the Act that there is a probable cost to the Government, to that extent the first question — will the new operations serve a useful purpose responsive to a public need, or will the market support the added enterprise? — will be modified by this fourth factor. To the extent that the benefits of the service will justify costs to the Government the market need not support the undertaking; the commercial revenues which measure the public responsiveness to the public need for the service need not cover the probable costs of the enterprise.

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STANDARDS APPLIED TO LOCAL AND FEEDER CARRIERS

1. Public need.

A study of the cases in which local and feeder airlines have been certificated by the CAB reveals that the same questions which were raised in the Delta case for trunk lines have been pertinent in determining the public convenience and necessity in local service air routes. Thus, in evaluating the public need for either a proposed local and feeder air route or a trunk line route the CAB considers the probable revenues which will be developed in view of the nature and volume of the potential traffic. The potential traffic is considered to be a function of the economic and geographic characteristics of the area it is proposed to serve. Population, the size of the labor force, total and per capita wholesale and retail sales, bank deposits and postal receipts reveal in a measure the economic character of the area and indicate to some extent the traffic potential of the region. Of particular interest, disclosing a developing need for transportation facilities, are the statistics on these items for the present as compared with those for a prior period or periods, or the percentage increase between the two periods. If the area in question has experienced a substantial increase in the items which give some suggestion of potential traffic and, of particular importance, if the increase is expected to continue, there is a strong presumption that the area will require expanded transportation facilities.

In addition, the natural resources which provide the basis for the economic activity of the area are also studied. The nature and the value and volume of products which are shipped from the area and the customary shipping patterns for these products are also considered as factors which influence the traffic potential and thus the transportation needs of the region in question.25

25 See any of the area cases for the CAB’s determination of public need in both trunk line and feeder service. These cases include: Service In The Rocky Mountain States Area, 6 C. A. B. 695 (1946); The Florida Case, 6 C. A. B. 765 (1946); West Coast Case, 6 C. A. B. 961 (1946); New England Case, 7 C. A. B. 27 (1946); Texas-
2. **Service by existing routes and carriers.**

The Board from the first has taken a strong position against the certification of existing carriers to operate local service routes when the existing carriers have been the trunk lines. This preference for independent, non-trunk line carriers for the short-haul local and feeder routes is founded on the following beliefs: (1) that there are certain fundamental differences in the character of trunk line and feeder line service; (2) that the maximum development of each type of service requires a concentration of effort which will most likely be forthcoming only from specialists in each field, specialists who are dependent solely upon the revenue to be derived from their specialized activities for their continued existence; (3) that the possibilities that the trunk-lines will achieve self-sufficiency, or even lessened dependence on mail pay, might be imperiled by their performance of high-cost feeder service; and (4) that an independent operator would show less partiality in "feeding" its traffic into the various trunk line carriers than would one of the trunk lines itself.

The Board emphasized the dissimilarity of trunk lines and local service and pointed out the unusual effort which it thought would be required for the success of the short-haul lines in the first of the area cases. It said,

... we here visualize ... an entirely new type of service gauged to meet the needs of smaller communities and relatively short hauls. In view of the limited traffic potentialities of the points on the new system, an unusual effort will be required to develop the maximum traffic. Greater effort and the exercise of managerial ingenuity may be expected from an independent local operator whose continuation in the air transportation business will be dependent upon the successful development of traffic on the routes and the operation of the service on an adequate economical basis.\(^{26}\)

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\(^{26}\) Service in the Rocky Mountain States Area, 6 C. A. B. 695, 736-737 (1946).

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Oklahoma Case, 7 C. A. B. 481 (1946); North Central Case, 7 C. A. B. 639 (1946); Southeastern States Case, 7 C. A. B. 863 (1947); Mississippi Valley Case, 8 C. A. B. 726 (1947); Great Lakes Area Case, 8 C. A. B. 360 (1947); Arizona-New Mexico Case, 9 C. A. B. 85 (1948); Middle Atlantic Area Case, 9 C. A. B. 131 (1948); Additional California-Nevada Case, 10 C. A. B. 405 (1949).
In discussing the applications of trunk lines (Western Air Lines and United Air Lines) to provide local service in the West Coast area the Board stressed the different character of the two types of service. It said,

... these companies [the trunk lines] are devoted primarily to providing air service of a conventional type, utilizing large, fast aircraft. The type of service contemplated herein involves a fundamentally new service to meet the needs of smaller communities and involving relatively short hauls. The service we believe is necessarily an experiment which will require the utmost economy of operation and unusual efforts to develop the traffic potentials of the smaller communities served. The luxuries of the conventional carrier must be sharply curtailed if the operation is to be commercially successful. We conclude therefore that an independent operator whose economic future is dependent upon its ability successfully to develop the traffic of the route should be selected. ... 

The CAB has elaborated on its preference for the non-trunk line carrier. Possessing a normal business interest in the most profitable area of operations, the trunk lines could be expected to maximize their efforts in the development of long-haul travel where the density of traffic was greatest. The trunk lines would be reluctant to provide the frequency and timing of schedules required to develop the local service where the traffic potential is low when their efforts would be more profitably applied to their trunk line routes. In brief, it was expected by the Board that the short-haul traffic would be neglected.

In addition to the belief that the two types of service were dissimilar and that the local service experiment required operators who would devote their complete attention to developing the potentialities of their routes, the CAB also thought that the long-haul operations of the existing carriers might suffer if these carriers were authorized to provide both types of service. It was

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27 West Coast Case, 6 C. A. B. 961, 999 (1946).
28 In some of its later decisions the Board cited evidence of the neglect by the trunk lines of the less profitable segments of routes for which they had been certificated. See Wisconsin Central Renewal Case, Order Serial No. E-5951 (1951); Reopened Additional California-Nevada Service Case, Order Serial No. E-6040 (1952).
thought that the extensive addition of intermediate stops would diminish the value of the fast long-haul schedules. The Board said,

While recognizing that existing scheduled carriers could provide service to additional cities through amendment of their certificates, we do not believe that it is in the public interest for a trunk-line carrier to handicap the direct fast service which its long-haul passengers require by attempting to fulfill functions peculiarly adapted to a feeder operation.\textsuperscript{29}

If the long-haul through service was adversely affected by the expansion of the existing carriers to provide short-haul service, it was thought possible that the trunk line carriers might be weakened by including the high-cost feeder points in their systems. The Board was looking forward to reducing the extent to which these carriers were dependent upon mail pay subsidies. And a step which increased costs of operation without proportionate increases in revenues and one which might adversely affect long-haul revenues would delay this reduction of subsidies.

The CAB also thought that a local service route operated by a trunk line would permit the one trunk to gain an advantage over others in the development of long-haul traffic. Furthermore, the trunk line would devote its attention to the contribution which the short-haul line could make to the trunk service and not on the development of the local service itself. It was contended that one of the purposes of this new type of service was to “feed” traffic from points not then receiving air service into the systems of the existing carriers for long-haul transportation. It was asserted that this “feeding” service should be performed by an independent carrier who would not have the inclination to discriminate among the several trunk line systems which it could conceivably “feed” and who would concentrate on the local service, not merely on the possibilities of “feeding” one trunk line. In the \textit{Florida Case} the Board reported that National Airlines’ president had,

\textsuperscript{29} Texas-Oklahoma Case, 7 C. A. B. 481, 495 (1946).
frankly admitted that the local service proposed [by National] would be employed wherever possible to channel traffic destined for distant points to points on its trunk-line system. . . . On the basis of his position, it would appear that a local feeder route designed to favor one long-haul carrier could hardly reflect accurate results with respect to the possibilities of the service.

The CAB has also opposed the certification of existing carriers for the short-haul local and feeder routes because of a belief that local applicants, applicants with interests and experience in the areas they propose to serve, should provide the service. It has said,

In establishing local feeder service it is our policy to authorize operations by local companies whose interests are centered in the area in which they will provide service.

The Board believes that these local companies, with their experience and their interests centered in the area in which they will provide service, will have a greater knowledge of the transportation needs of the area. And it is thought that an intimate knowledge of the area and its needs is desirable if the local service experiment is to have its best chance of success.

It is claimed, further, that an organization whose interests are centered in the area will be more inclined to concentrate its attention on the route it is authorized to operate. If the interests of the carrier are geographically diversified, it is not expected to have the singleness of purpose of a local company. Nor is it expected to be able to devote as intensive an effort to the performance of local air service as would the local carrier. The CAB believes, as was stated earlier, that success for local service air transportation will require the best efforts of the operators.

31 West Coast Case, 6 C. A. B. 961, 996 (1946).
32 Any of the area cases cited in note 25 reveal this attitude more or less completely. See in particular The Florida Case, 6 C. A. B. 765 (1946). The Board appears satisfied that its preference for carriers with interests centered locally in the area in which they are to operate has been justified by experience. See the statement of Joseph J. O'Connell in Air-line Industry Investigation Pursuant to S. Res. 50, Hearings before Senate Committee on Interstate and Foreign Commerce, 81st Congress, 1st Sess. (1949), p. 44. Mr. O'Connell was Chairman of the Board at the time of the hearings.
The Board has thought that a local carrier might have another advantage over other carriers which would increase the prospects for successful operations of the short-haul air routes. It has pointed out that a local organization, particularly if it has had experience in the area, might already have secured a measure of good will which would accrue to new interests only after they had become favorably known in the region. The current acceptance of the local carrier within the area would minimize the promotional requirements for the airline. This would have the effect of lowering the costs of inaugurating service and would thus increase the chances of success.\textsuperscript{33}

The Board's policy of preferring local, non-trunk line carriers for the operation of the local and feeder routes has not always been followed, however.\textsuperscript{34} In two cases trunk lines have been selected to operate the local service routes which were found required in the public interest. In the first of these cases, that in which Transcontinental & Western Air (TWA) was concerned, a deliberate choice of the trunk line was made under conditions in which there was a possible alternative choice of one of several non-trunk line carriers. In the second case, that involving Mid-Continent, the Board thought that it had no other acceptable alternative to the trunk line if service was to be offered within a reasonable length of time.

In the first of the two cases Transcontinental & Western Air, Inc., was chosen to perform services which were admittedly similar to those for which independent local service carriers had been authorized in other area proceedings. It was thought that the certification of TWA for this type of service offered a chance to

\textsuperscript{33} Middle Atlantic Area Case, 9 C. A. B. 131, 178 (1948).

\textsuperscript{34} See the concurring and dissenting opinion of Member Clarence M. Young in Texas-Oklahoma Case, 7 C. A. B. 481, 532-538 (1946), and his concurring and dissenting opinion in Southeastern States Case, 7 C. A. B. 863, 907-914 (1947). Mr. Young was concerned with the mounting cost to the Government of the local and feeder experiment. He thought that at least in certain instances the existing carriers, the trunk lines, could operate the service which was proposed to the additional, smaller communities more economically than could the independent, non-trunk line carriers.
experiment and to compare the results of short-haul service by one of the large trunk lines with the results of the same type of service performed by the independent non-trunk line, local carriers. The area chosen for this experiment was Ohio where TWA already operated. TWA did not appear to be satisfied for long with the outcome of the feeder and local service which it had been authorized to perform. It did not request renewal of its authority to serve four of the eight points to which it had been authorized when the authorization expired. It asked for only a one-year renewal of its authority to serve three of the points, and a three-year renewal for one city.

In the second case in which a trunk line carrier was selected to operate a local service route the CAB through that there were no qualified independent carriers who could be selected. Hence, if the service was to be offered it would have to be offered by a trunk line. Parks Air Lines, Inc., had been selected to operate one route in the North Central Case, and a second route in the Great Lakes Area Case. However, Parks failed to initiate service within the time specified by the Board and an investigation was instituted to determine whether Parks' certificate should cease to be effective, and if so, whether another carrier should be selected to operate the route.

After the Board declared Parks' certificate ineffective, it decided to select another carrier to operate the local and feeder route. One independent non-trunk line applicant was rejected because it was a surface carrier. Others were not found to be fit, willing and able. Since the CAB found an urgent public interest

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35 Great Lakes Area Case, 8 C. A. B. 360, 384-389 (1947). This decision to experiment with local air service conducted by a major trunk line was not a unanimous one. Vice-Chairman Ryan dissented from the majority opinion, pp. 417-419. Mr. Ryan thought that the decision represented an unwise departure from the former Board policy of preferring independent, local airlines.


37 7 C. A. B. 639 (1946).

38 8 C. A. B. 360 (1947).

in having the service provided, it turned of necessity to the trunk lines. The result was the selection of Mid-Continent Airlines, Inc. This set of conditions was considered to be unusual, however, and sufficient cause for overriding the policy of preferring non-trunk line carriers. Although affirming this departure from its accepted practice in a later opinion, the Board reiterated its preference for local service carriers to operate the local and feeder routes. It said,

"We are still of the opinion that, in general, local service routes should be operated by local service carriers."  

3. Effect of service on operations of existing carriers.

In an opinion following its investigation of the possibilities of local and feeder air transportation the CAB expressed an awareness of the possibility that an experiment with this type of service might have adverse effects on the existing national air transportation system. It pointed out that the Act of 1938 imposed upon it two obligations. Not only must it encourage the development of an air transportation system commensurate with the needs of commerce, the Postal Service, and the national defense, but it must also foster sound economic conditions in air transportation. And the Board recognized that a program of encouraging the development of local and feeder service might jeopardize the progress toward sound economic conditions which the existing carriers had made if uneconomic competition for these lines was permitted.

Since it was aware of this possibility, once the Board had decided to promote the experimental local service, it directed its attention to minimizing the uneconomic competition which it thought might jeopardize the position of the trunk-lines. It stated

40 Id. at 787-793.
42 See pp. 190, 191, supra.
43 Investigation of Local, Feeder, and Pick-up Air Service, 6 C. A. B. 1, 3 (1944).
its intention of not permitting the new carriers to become active competitors for trunk line traffic in the following words:

\[\ldots\] we have neither the disposition nor the intention to permit local air carriers to metamorphose into trunk lines competitive with the permanently certificated trunk lines. \ldots We recognize that some competition between local-service carriers and trunk-line carriers is inevitable, but we intend not only to minimize such competition but, to the greatest feasible extent, to prevent its development.\footnote{Bonanza Air Lines, Inc., TWA, Route Authorization Transfer, 10 C. A. B. 893, 897 (1949).}

The Board thought that undesirable competition could be prevented and damage could be avoided if the newly certificated carriers were forced to attempt to generate new traffic and were not permitted merely to divert traffic from the existing carriers.

In its first opinion granting a certificate for local and feeder service the CAB took a concrete step to allay the fears expressed by the existing carriers that the newly certificated carrier would provide uneconomic competition for them either immediately or at some later stage in the experiment. The certificate included a condition that the new carrier (Essair, Inc.) should serve each intermediate point and each terminal point on each schedule it operated. This condition, designed to assure the operation of a "local" service, was aimed at preventing Essair from competing with the trunk lines for the long-haul terminal-to-terminal traffic. Essair was further specifically directed not to devote its attention to minimizing the elapsed time between the terminal points, but was to concentrate on developing the traffic at the intermediate points.\footnote{Continental Air Lines, Inc., et al., Texas Air Service, 4 C. A. B. 478, 485 (1943). There was some modification of this condition in later cases. See Pioneer Air Lines, Inc., Amendment, 7 C. A. B. 469 (1946); Middle Atlantic Area Case, Supplemental Opinion, 10 C. A. B. 41 (1949); Additional California-Nevada Service, 10 C. A. B. 405 (1949). The Board has also recognized the impossibility of serving intermediate points where the airport facilities were inadequate. Consequently, provisions were added that in appropriate cases it might find that the public interest would permit the modification of the requirement to serve each intermediate point. Service in the Rocky Mountain States Case, 6 C. A. B. 693, 722 (1946).} The Board was not convinced, however, that this requirement of a stop at each intermediate point on each flight was
sufficient to prevent Essair from developing trunk line service. Consequently, it added the general statement that if this action was insufficient to prevent the undesired results, it would undertake further study to determine what additional conditions should be applied, and it would take appropriate steps to apply these conditions.\(^{46}\)

The CAB has adopted additional measures to minimize the competition between the local service carriers and the trunk lines. It has been the practice of the Board to withhold the certificate from the feeder line which it has selected to operate a given route until there has been a showing that there are a sufficient number of adequate airports at the intermediate points authorized. The intent in this is to prevent the carrier from operating only between the terminal points or the larger points on its route which have already been certificated to the trunk lines. In other words, the Board is attempting by this action to preclude inauguration of service which would merely duplicate that already offered by the existing carriers.

Potentially uneconomic competition between the trunk lines and the feeder lines has been one of the factors which have influenced the CAB in its decisions on proposed mergers of local service carriers. Thus, it was pointed out that the merger of Southwest Airways Company and West Coast Airlines, Inc., would probably result in increased competition for the trunk lines operating along the West Coast. The Board thought that this development would be undesirable and therefore disapproved of the proposal.\(^{47}\) Finally, in the attempt to avoid the growth of uneconomic competition for the existing carriers the Board will deny the request of a feeder line for a route when it appears that the points which it is proposed to serve are receiving adequate service from a trunk line.\(^{48}\)

\(^{46}\) *Id.* at 485.

\(^{47}\) *Southwest Airways-West Coast Airlines Merger, Order Serial No. E-5594* (1951).

\(^{48}\) *Mississippi Valley Case, 8 C. A. B. 726, 762, 763* (1947).
Not only will the CAB seek to preclude the local and feeder airlines from offering the trunk lines uneconomic competition, but it will also protect the feeder lines from undesirable competition from the trunk lines and from other feeder carriers. When Braniff Airways, Inc., sought to duplicate a segment of Pioneer's route, the Board denied the request. It thought that Pioneer, a local service carrier, should be permitted to demonstrate its ability to operate to the satisfaction of the Board without the handicap of a duplicating service by a trunk line. And when one feeder applicant proposed a local service route which would admittedly duplicate to a considerable extent a route for which another local service carrier had already been certificated, the proposal was rejected.

4. Probable cost to the Government weighed against benefits.

The CAB from the first has acknowledged the experimental character of the local and feeder program. It has recognized that the economic conditions under which these carriers would conduct their operations were different from those under which the trunk lines perform. Consequently, although the Board has asked the same question — do the benefits of the proposed service outweigh the probable costs to the Government? — in determining the public convenience and necessity in short-haul experimental service to the smaller communities as it has asked in trunk line cases, it has applied different standards in reaching its decision. These special standards have been described by the Board as,

... the importance to our nation of linking smaller communities with air service where there is the best prospect of financial success ... [and] the question of whether the communities involved will benefit by substantial improvement over the existing surface transportation facilities.

Footnotes:
49 Texas-Oklahoma Case, 7 C. A. B. 481, 500 (1946).
50 Chicago-Seattle Area Case, 8 C. A. B. 647, 658 (1947).
51 The Board has issued only temporary certificates to the local service carriers.
52 Service in the Rocky Mountain States Area, 6 C. A. B. 695, 731 (1946).
It is apparent that the special benefits which, in the eyes of the CAB, might warrant it to incur financial obligations for the Government greater proportionately than those resulting from trunk line operations might accrue to 1) the nation, and 2) the smaller communities of the nation.

Among the advantages which might be reaped by the nation as a whole as a result of the operation of local service routes are greater national security and an improved postal service. An improved postal service in this connection means the extension of airmail facilities to additional communities. Greater national security might be achieved as the potential capacity of the nation for military action is raised because of the activities of the local service carriers.

The smaller communities themselves might benefit from local and feeder air service because the communities of interest of which they are a part may not have adequate transportation facilities in the opinion of the CAB. The inadequacy of existing surface facilities is sometimes a result of the topographical characteristics of the area to which air service is proposed. Climatic conditions have also provided sufficient barriers, in the

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53 In general, it can be stated that the Post Office Department does not place great importance on the postal value of local and feeder air transportation. See the testimony of Postmaster General Jesse M. Donaldson in Hearings, supra note 32, at 1327; North Central Case, 7 C. A. B. 639, 662 (1946); Mid-West Certificate Renewal Case, Order Serial No. E-6311, p. 9 (1952).

54 The strongest claims for important military contributions by the local and feeder carriers are made by the carriers themselves. For their views see the testimony of Robert J. Smith, President of Pioneer Airlines, Hearings, supra note 32, at 1101-1109, and R. Earl McKaughnan, President of Trans-Texas Airways, id. at 1399-1416. The CAB refers only infrequently to specific military contributions by these carriers. See Wisconsin Central Renewal Case, Order Serial No. E-5951, Appendix, pp. 14, 15 (1951); Southwest Renewal-United Suspension Case, Order Serial No. E-6063, Examiner's Report, p. 7 (1952).

55 Mountain ranges and large bodies of water impede surface transportation and have provided the basis for the authorization of air routes which include relatively small population centers. West Coast Case, 6 C. A. B. 961, 963, 964 (1946); Arizona-New Mexico Case, 9 C. A. B. 85, 91 (1948).
opinion of the Board, to surface transportation to justify the authorization of local air service.\footnote{Climatic conditions which impede surface transportation and warrant air service include not only severe winter weather, but also extreme heat. Wisconsin Central Renewal Case, Order Serial No. E-5951 (1951); Reopened Additional California-Nevada Service Case, Order Serial No. E-6040 (1952).}

These benefits, improved postal service, greater national security, and improved communication and transportation facilities for the smaller communities of the nation are intangible. This is in contrast with the values involved in transporting a merchantable commodity from one point to another, in manufacturing a vendible good, or in providing a marketable service where the activities in the market will result in the determination of a price for each. As a result of the intangible nature of the values to the nation and to the smaller communities involved in local and feeder air service, the weighing of these benefits or values against the probable cost to the Government requires the exercise of judgment. The CAB must estimate these values and compare them with the probable cost to the Government. It must then answer the question, will the probable costs to the Government be outweighed by the benefits expected from additional local and feeder air service?

A review of the standards for the certification of the local service carriers reveals, moreover, that there are other decisions requiring the exercise of judgment which must be arrived at before local and feeder air service is authorized. The Board must answer favorably all of the questions it asks — Is there a public need? Can the service be performed by existing carriers? Will uneconomic competition develop? Will costs to the Government be outweighed by the benefits received? — before additional local and feeder service can be authorized. An interested public must expect that the decisions will be based on the best objective information available to the Board and not on the wishes, often very vigorously presented, of the special interests affected.