

## War Profiteers – Nonskeds all

In June 1950 America awoke to learn it was at war again in a far off and remote place called Korea. Located on a large peninsular jutting out of China aimed like a dagger at the heart of Japan. After WW2 Korea had been divided across the 40<sup>th</sup> parallel at the end in North and South. North of Korea was under communist domination while South Korea under a US installed democratic dictator, Syngman Rhree. South Korea was lightly defended by a small US occupation force. When the North Korean Army attacked to the south of the 40<sup>th</sup> parallel aiming toward the south's capital city Seoul, they easily overcame and routed unprepared inadequately trained and supplied US Army and South Korean Army troops. The South's forces were lightly armed and forced to retreat south to try and form a line at Seoul and the Han River. North Korea's tank forces equipped with the latest Soviet tanks, moved swiftly quickly forcing the rout of the South's forces.

This sudden unexpected attack caught US military planners unprepared who had been looking eastward to Europe. US Forces in Korea and Japan were ill equipped to offer a serious opposition to the North's surprise attack and swift striking offensive. Korea lays just across the Sea of Japan but over 7000 miles from continental US military bases. American occupation forces in Japan were comprised of some ill trained combat units and limited air force resources. Naval forces were in similar straits. The US' military reserves were at their lowest ebb since the 1930's. With WW@ behind them the military was virtually disbanded. The Congress engaged in meeting post war demands brought about by the release of 12 million war veterans and the conflicting demands of the post war boom, Marshall Plan and world wide reconstruction efforts had slashed America's military budgets to the bone despite obvious Russian threats at Berlin and eastern Europe. Following a rapid Air Force buildup of men and equipment to respond to the Soviet threat to Berlin, the aircraft had been returned to moth ball status and most of the flight personnel deactivated. With the new more urgent Korean crisis the process of quickly building forces from reserves and stored combat equipment swung into action but would take time. With the North Korean Army driving south there was no time. US and South Korean forces would have to fight with what they had and what could be gotten to them piecemeal.

After the Berlin crisis eased in the fall of 1948 and US airpower demonstrated the determination and capabilities of the US to stand up against expansionist aims of the USSR in Europe things quickly returned to normal. Thousands of reservists who had been called up during the Berlin crisis were quickly released from active duty. Most of the Air Force and Navy's large transport aircraft returned to desert storage depots to be mothballed. The US military stood down. Then less than 18 months after the Berlin Air Lift forced the USSR to back down in Germany a larger crisis loomed in Asia.

Japan and Korea are 4000 miles from the Hawaiian Islands where the major US military installations are located. In the Marianas Islands, which held massive US military installations at the end of WW2 at Guam, Sapain and Tinnian, were virtually devoid of any US military presence in 1950. There was a small force at Guam. Further to the southeast Wake Island sat astride the Pacific air route from Hawaii to Tokyo, but had

been abandoned by the US military. Wake Island was under the management of Transocean air Lines of Oakland, California as one of their trans Pacific bases and their main Pacific base for providing air service to remote Pacific islands as part of the US trust territory. Initially the the Trust Territory services were provided by Flying Boats until landing strips could be built to handle land plane types. Transocean had been a logical choice following the end of WW@ with its extensive militract contract services all over the Pacific ocean region.

Transocean's President, Orvis Nelson, an airline visionary was an accomplished and skilled airman. Nelson, a native of Minnesota, graduated with the Army Air Corps Flight training school Kelly Field class of 1932. Virtually every member of his class serving in the Air Force during WW2 reached the rank of General. Nelson's first military assignment in 1932-33 was to air photo map the Philippine Islands. The American military during the 1930's depression had few berths for officer staff. Many military officers were either forced to leave the service or take paid quasi civil jobs in order to retain their military rank and status. Orvis Nelson's experience was such that he was quickly chosen as a pilot for the the newly formed United Air Lines following the 1934 Air Mail debacle with the Postal Service. Nelson quickly rose to be a Captain. Nelson served as one of the founding members of Airline Pilots Association, ALPA.

During WW2 United Air Lines became a major military overseas airline contractor to the government operating military C-54 transport aircraft. Nelson quickly rose to become one of the senior managers of the world wide air transport service. After hostilities ended there still remained a need for contract services as combat veterans returned to the US and occupation forces were deployed overseas. United was quick to try to cancel its government contracts and return to the civil airline business. Nelson was well liked and respected by United's then President, Bill Patterson. Nelson approached Patterson on keeping the military contract services and equipment and proposed using newly released former military personnel to staff it, allowing United's flight staff return to scheduled passenger airline operations. Patterson, after some deliberation, agreed to an arrangement as Nelson took over the contract services. Included were almost a dozen military bailment aircraft. Subsequently Patterson transferred to Nelson the complete contract program and United withdrew from active participation and control. Orvis Nelson was on his own and enjoying it. As US military requirements and revenues declined, Nelson and his team found substantial demands for their services worldwide and expanded accordingly.

On the day the North Koreans attacked the South, Orvis Nelson had been in Washington, DC, and had met with a long time friends and classmate, US Air Force General William Tunner. Gen. Tunner was a senior Air Force staff officer and responsible for logistics and supply and the USAF Military Air Transport Service (MATS). Nelson was enroute home to California that evening on board a TWA night flight to San Francisco. About two hours out from Washington the TWA Captain approached Orvis Nelson with a message relayed to the flight. The flight had been ordered to land at Kansas City, Missouri and to wait for Nelson while he made a phone call to General Tunner in Washington. On reaching Gen. Tunner, Orvis Nelson learned that hostilities had begun in Korea and Tunner and the Air Force needed emergency civil airlift to carry supplies

across what became a 7500 mile air supply line and the Korean Air Lift. General Tunner asked Nelson to let him know how as quickly as possible how many transport aircraft Transocean Air Lines had available and how soon they might begin trans Pacific flights to Japan and Korea? Nelson contacted his operations staff in Oakland, California, then relayed the information to General Tunner in Washington. He advised that at least two C-54's would be serviced, fueled, crewed and ready in less than 12 hours. Nelson reboarded the TWA flight and continued to San Francisco.

Less than 18 hours later two Transocean C-45's were winging their way to Hawaii, the first stop on the road to Tokyo and Seoul. Three more aircraft would be following within 24 hours. The Korean Air Lift was officially on its way.

US Air Force personnel at Travis Air Force Base were organized to handle the loading, servicing and dispatch of the civil airline contractors with their like number in Japan and Korea. An added bonus to the US military effort was Nelson's entrepreneurial foresight in taking over and reestablishing the former military facilities at Wake Island into a fully functional air carrier service center capable of serving both civil and military airlift crews, equipment and fueling. It was a master stroke as well as very profitable for Taloa.

Originally conceived and constructed by Pan American Airways prior to World War Two to provide a fueling stop for the first Trans Pacific flying boat service, Wake Island had been the scene of bitter battles in the Pacific War. Retaken by US Forces in 1944, the military developed extensive base facilities, housing and fuel storage tanks. Once war time hostilities ended the US donated substantial amounts of equipment and materials to its battered allies for reconstruction purposes. At Wake Island there were massive stores of military construction equipment, abandoned unflyable aircraft, substantial amounts of aviation and motor vehicle fuel, power station equipment, airport construction equipment, ground vehicles, housing and building construction materials stored. The material at Wake Island was given by the US to the Government of China. China was then in the midst of a civil war with Chinese Communist forces, and the existing government was unable to arrange for the transport of the Wake Island materials. A lack of harbor or port facilities at Wake Islands being one major factor. Nelson negotiated to buy the Wake Island materials for a nominal fee.

When the Pacific Korean Airlift began, Wake Island was essential to its success. Most large military transport aircraft were four engine C-54's with a 2000 mile range. Wake filled the gap for a refueling stop between Hawaii and Japan. The housing was quickly converted to accommodate military and civilian flight personnel. During this period civil crews were operating on 72 hour fireball round trip flights from California to Japan and Korea back to California. Wake Island became a staging point for crew changes and layovers. A flight landing at Wake had new crew ready to take it on to Japan or Korea and the layover crew, after enough rest, would continue on the circuit back to California.

Meanwhile as the military emergency broadened the US moved to a war time footing. The draft was expanded, military training bases reactivated and expanded to handle large volumes of recruits and draftees. Inactive reserve military were recalled and sent off to

training commands. Military aircraft, tanks and weaponry were de-mothballed and made ready for combat duty. During World War Two, American railroads played an active role in troop movements with large troop trains criss crossing the US to military embarkation ports, training camps and material and supply depots. As the extent of losses and defeat of US forces in Korea unfolded the military was forced to rush reinforcements to stem the tide. Coast to coast rail time for troop trains was 4 to 5 days. The logistics problems were massive. Sea transit needed for tanks, heavy equipment, vehicles, artillery, ammunition, food, clothing and basic essentials required 4 to 6 weeks in transit time. There were few fast ocean liners that could cross the broad expanse of the Pacific in less than a month and those that were available were needed for mass troop movements. There were few large convertible transport aircraft available to the military requirements. There were Air Force and Navy C-54's and C-69's (Navy's Fleet Logistic Command was then in the process of disbanding and barred from operating in competition with the Air Force's MATS by the legislation creating the new Dept of Defense in 1950) in reserve units and America's nonscheduled airlines. America's scheduled ATA airlines air fleets consisted of 4 engine transports configured exclusively for carriage of passengers. They were not capable of carrying bulk air cargo without major modifications and installation of cargo doors and flooring.

The nonscheduled airlines in 1950 were being organized into an industry trade organization, ACTA, the Aircoach Transport Association, by Mr. Amos Heacock. Mr. Heacock was the operator of a Seattle based Nonsked, Air Transport Associates, which CAB had placed under threat of revocation for minor rule infractions of various impossible Civil Aeronautics Board economic regulations. CAB had covertly entered into a scheme with ATA scheduled airlines to eliminate the Nonsked air carriers by using illegal tactics and regulations to make it impossible to operate without being in violation. Amos Heacock' attack on the Civil Aeronautics Board obtained strong congressional support which moved to reverse CAB efforts at terminating the industry. As the Korea War exploded on to the headlines, ACTA then represented most of the nonscheduled carriers operating 4 engine aircraft with trans Pacific cargo capability. ACTA offered the military the entire Nonsked combined fleet of 50 to 60 convertible (cargo and/or passenger) L-049/L-749, C-54/DC4 transports as well as close to 65 shorter range C-46, M-2-2, CV240/340 and C-47/DC-3 transports. The military was quick to accept. The military set up an organization in Washington work with ACTA to coordinate the contracting for the use of nonsked airline aircraft.

America's scheduled ATA airlines in 1950 only operated straight passenger aircraft. Their passenger aircraft were limited in that carried only about half the passenger capacity of compared to the Nonskeds. The ATA carriers operated DC-4's, converted C-54's with a seating capacity of 44. The same aircraft operated by the Nonskeds had 80 to 88 passenger seats. Airline DC-3 offered 21 seats, two seats on one side of the aisle and one seat on the other. Nonsked DC-3's were configured for 28 to 32 seats. None of the ATA carriers operated Curtiss C-46 aircraft which seemed to be exclusively operated by Nonskeds. The C-46 carried 55 passengers and up to 20,000 pounds of cargo. Scheduled airlines seat costs came in at about 5 cents a seat mile while the Nonsked airlines seat costs averaged in the 2.25 cents per seat mile cost range.

By fall 1950, Nonsked airlines were moving 5000 to 6000 military personnel a month all over the nation to and from training facilities to embarkation ports. Meanwhile the Civil Aeronautic Board was planning to terminate the operating authority of 98 percent of the Nonsked industry. US Senate hearings held in 1951 disclosed some of the more devious aspects of the CAB's methods and intent to eliminate such carriers from business. Meanwhile the Nonsked were engaged in the mass movements of military personnel in both domestic and the Pacific Air lift services. The Senate hearings indicated the Civil Aeronautics Board's overt effort to eliminate the carriers without any due regard to the law or due process. But another government force was waiting covertly in the wings to do in the Nonskeds as well. By the time the Airlift ended in 1953 America's nonsked had carried 65 percent of the total tonnage flown to Korea and 75% of all the personnel. In addition they provided aircraft that converted to litter ships to transport badly wounded Korean combat veterans to military hospitals in Hawaii and the States for urgent care.

The government contracted with nonsked airlines through their military transportation agency, MTMA through ACTA. ACTA provided staff at MTMA to bid on the various transportation requests to move personnel. ATA airlines would bid on traffic transiting via their scheduled routes. The ACTA personnel would get the request and estimate the route mileage (since all contracting was based on aircraft mileage) and submit the estimated cost to MTM based on the availability of flight equipment. This sometimes entailed ferrying the aircraft from another drop off point to pickup point. Most times the pickup was made at a military base. One of the advantages to using the military base was the carrier could buy military fuel at a significant discount to what they would pay to a commercial vendor. A disadvantage was the need to arrange for feeding the passenger personnel enroute and arrangements had to be made for food servicing. Often times the carrier could sign a chit for the fuel through arrangements made by ACTA, who would arrange for its payment with the carrier and government. ACTA would obtain a copy of the Military Transportation Request (the contract for carriage), from MTMA, deduct their 5% commission fee, and forward the Transportation Request (TR) to the carrier.

When the Korean Airlift began the US military and government had little experience in dealing with airlines. During WW2 the US railroads carried most of the troop traffic and payment was adapted the requirements of the railroads, a major industrial transportation industry organized almost 100 years earlier. It was not up to meeting the swiftness of the air age in the Korean War years. The nonsked would submit the TR to the US Treasury Department for the transportation services provided. The form would have a box to check for quick payment within 10 days at a 2% of the total amount due. No matter whether you checked the box or not, treasury deducted the 2%. As to the ten days, 120 days was more like the average. On to the scene came former US Army Colonel Gordon Moore, President Eisenhower's brother-in-law. Moore formed a factoring company called Air Transit, Inc. For a 2.5% factoring commission, Air Transit would forward payment on TR's within 15 days. Air Transit would walk in the TR's daily at Treasury and receive payment immediately, then subsequently send it on to the carrier. Air Transit existed well into the early 1960's.

In 1954, after the Korean War emergency was over and the nation returned to normalcy, the Congress' Government Accounting Office (GAO) began sending bills to the Nonsked airlines demanding repayment of funds to the government for alleged overcharging of actual air miles performed on military commercial air movements and overseas military contract flights. Using a 1942 Coast and Geodetic Survey Airline Route Mileage map the GOA accountants computer air iles between point flown – on a straight line point to point basis . This immediately cranked in an automatic 15% shorter mileage bias for miles flown. The GOA computed the carrier's payment and challenged the total payment as 15% to 25% to much. In most cases where the crew ferried an aircraft to pick up the military load, the ferry charges were discredited. The carriers were being bombarded with hundreds of thousands of dollars in GOA "bill back claims" for trips provided via airways on a mileage contracted basis which GOA claimed were never performed. To dispute the claims the carrier was obliged to find the original flight documents, examine them, calculate the mileage flown, ferry mileage involved, provide copies of the fuel charge slips, the flight plan and any supporting documents and submit them to GOA for review.

The GOA was adamant and fierce in trying to collect what they called overcharges and over payments to nonscheduled carriers, forcing a few into bankruptcy. While each bill back charge might only be a nominal amount of \$50 or \$80 per leg flown the amounts added up quickly. To counter act the claim the carrier was required to dedicate as much as 25% of its administrative expense to researching and trying to dispute the GOA claims. With the larger carriers engaged ine extensive military contract services the amounts could be staggering and into the millions of dollars. AAXICO Airlines, based in Florida long with several other operators filed suit in federal court challenging the validity of the government's claims. After winning in the lower District Court in Florida the government filed an appeal of the finding of the lower court, that the GOA was wrong and that the airlines did not owe the money or amounts claimed. Two years later the Appellate Court found for the Nonsked airlines. The Government appealed to the Supreme Court, which refused to reconsider the lower court findings. The government was forced by the rulings to pay the nonsked airline participants a substantial amount of money with held and interest.

The government however was not required to reimburse the smaller airlines which had not joined into the suit nor make any amends for the smaller airlines its action had forced out of business. The Korean War may go down in history as America's stand and barrier against communist inroads and expansion in Asia. It will not go down as a bright day in government candor or gratitude to ex military veterans that responded to a military need and were treated shamefully thereafter by a gratefull government.

the CAB was not empowered by statute to grant. The resulting legal challenge by American Airlines effectively set the stage to get rid of the nonskeds during the Eisenhower Administration. The Air Force covertly dealing with the CIA engaged in games and fraudulent issuance of airlift contracts to CIA owned and operated airlines, further pushing the nonsked airlines over the cliff under the guise of national security. The Air Force was more than happy to cooperate, participate and execute this activity and to be rid of the pesky nonskeds as a threat to their ego and image.

Ciao -30-