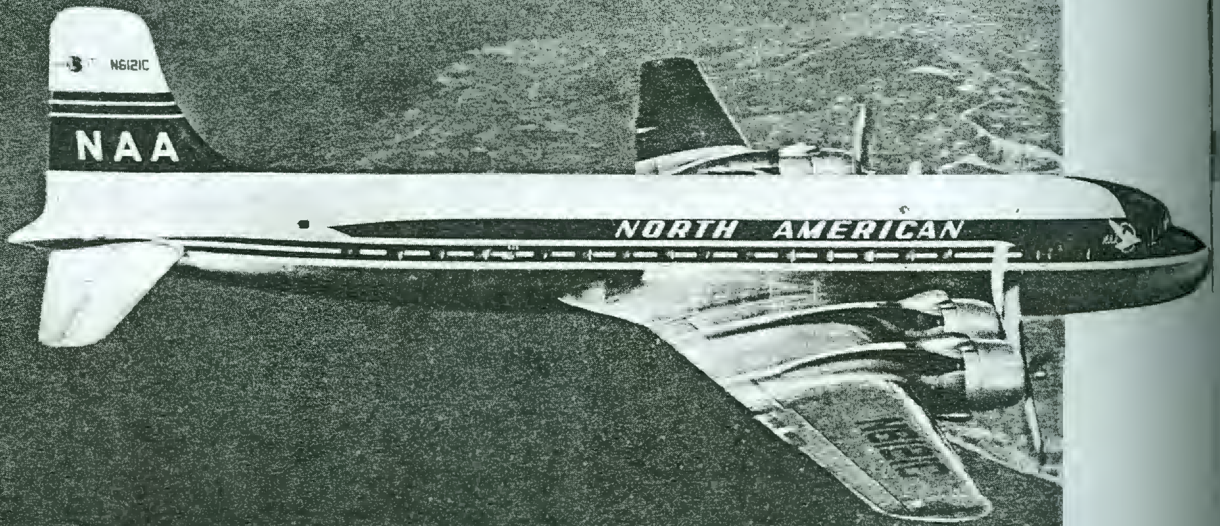
# NORTH AMERICAN AIRLINES

*first in aircoach*




Air transportation has grown tremendously

since Congress passed the Civil Aeronautics Act in 1938.

Few realize that a large and profitable industry

has replaced the fragile airlines of the '30's.

Yet 96% of the business has been reserved

to the same carriers who were operating 17 years ago.

North American Airlines has prepared

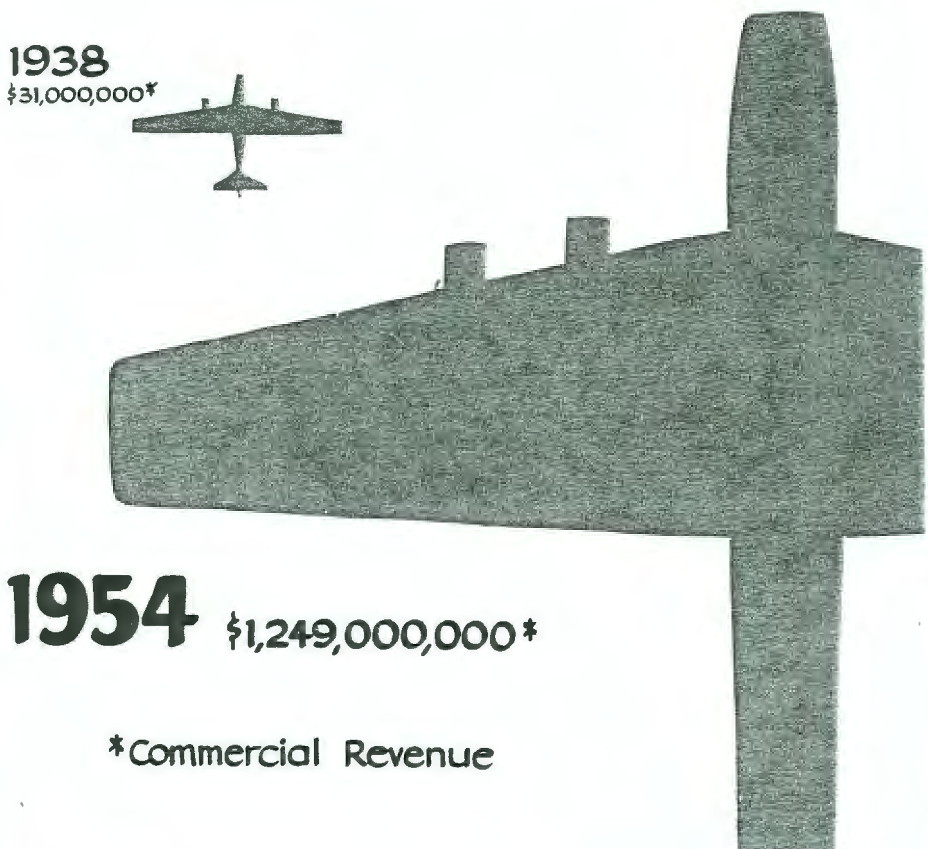
this graphic presentation of these basic economic changes

and the need for new competition in aviation.

NORTH AMERICAN AIRLINES ★ BURBANK ★ CALIFORNIA

# Air Transportation is Monopolized by the Grandfather Carriers

## Since the Passage of the Act, Air Transportation has Increased 40 Times



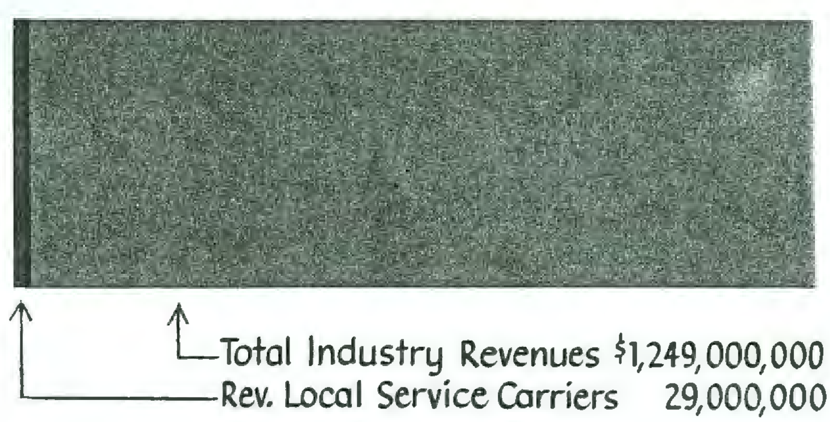

*Commercial Revenue

Air transportation has grown forty-fold since the passage of the Civil Aeronautics Act. In 1938, it was a small subsidized business with total commercial revenue of only $31,000,000. Today it is a highly profitable big industry with revenues of about 1¼ billion dollars. And it is one of America's fastest growing industries. It growth in 1954 alone was over three times as great as the total industry in 1938.

## Air Transportation is Monopolized by the Grandfather Carriers

The Board has Certificated 13 Local Service Carriers but...

Commercial Revenues of Local Service Carriers are less than 2.3% of Commercial Industry Revenue




Feeder Routes are non-competitive with trunks

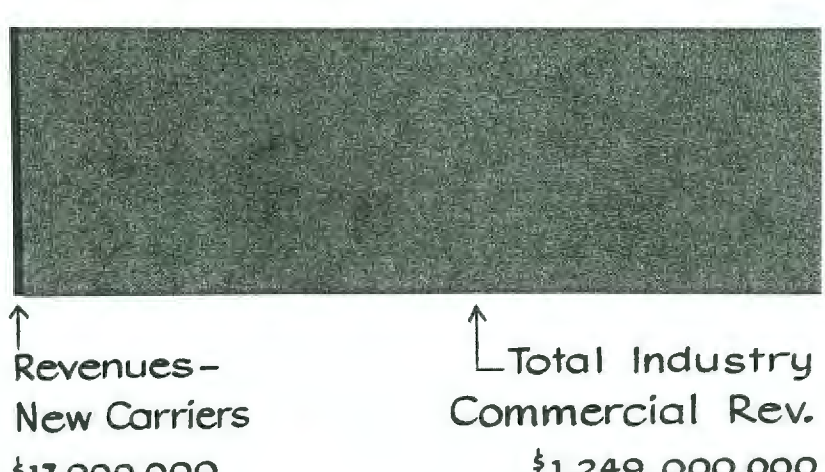
source CAB form 415

The Civil Aeronautics Board has certificated a number of additional carriers but only for small, limited operations. Thus, the Board has certificated thirteen local service carriers to serve small towns. But their routes are generally non-competitive with trunks and their commercial revenues are less than 2.3% of the industry revenue. Likewise, the Board has certificated four new all-freight carriers but air freight is a very small part of the business today and their revenues amount to only 1.4% of industry revenue.

## Air Transportation is Monopolized by the Grandfather Carriers

The Board has Certificated 4 new All-Freight Carriers who compete with Grandfather Carriers but...

Commercial revenues of All-Freight Carriers are only 1.4% of Industry Commercial Revenue




source CAB form 41S

## Monopoly by the Grandfather Carriers has stunted the Development of Air Coach

## The Grandfather Carriers Long Opposed the Development of Air Coach

American said:

*"We do not believe we can presently engage in coach service... without consequent loss"*

United said:

*"We just cannot afford to take the chance"*

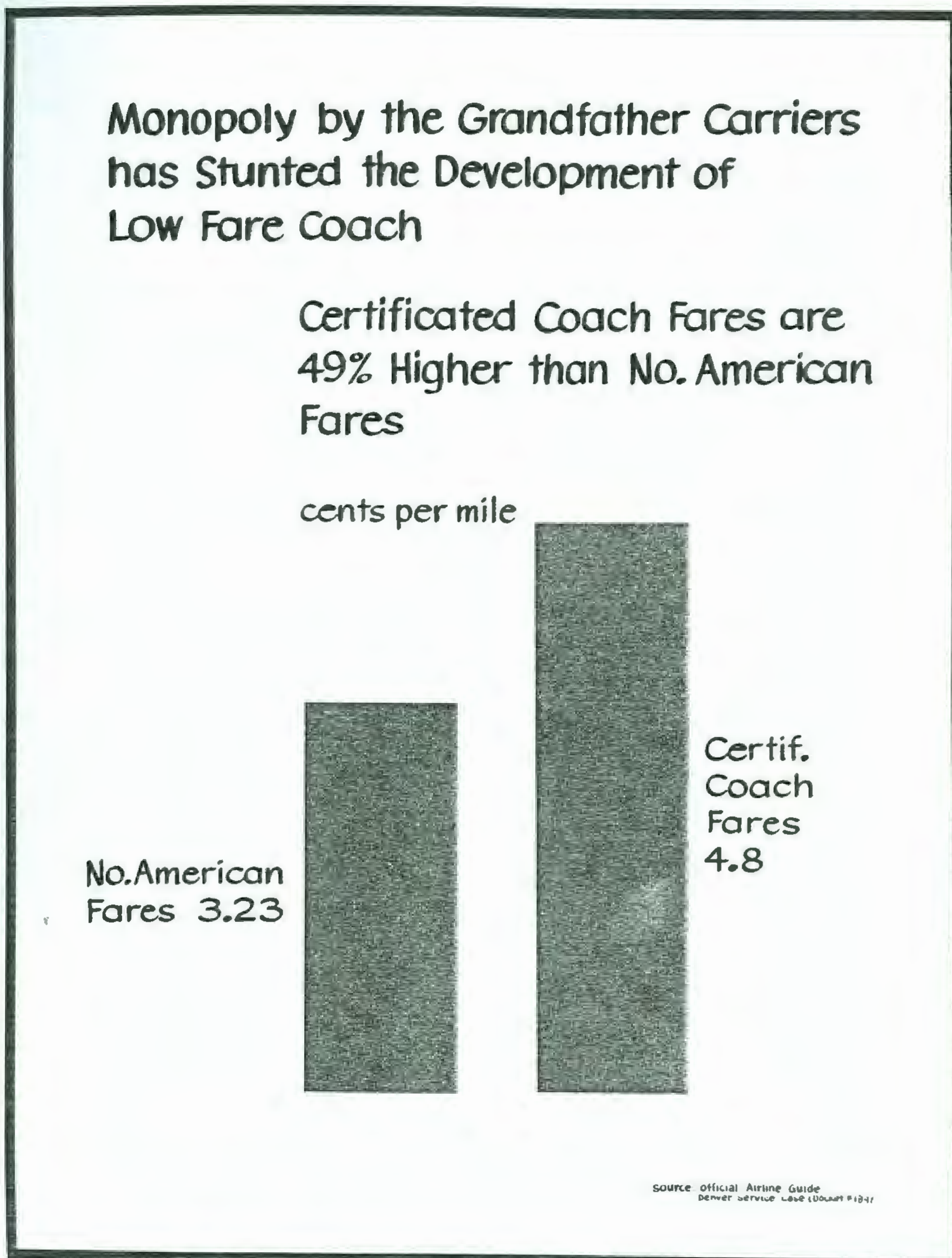
North American said:

*"This new market for low cost air service has a potentiality many times greater than that heretofore served by those (grandfather) carriers"*

source Airline Industry Investigation Hearings before Committee on Interstate and Foreign Commerce, 81st Congress pp. [illegible]

The success of the American economic system has been keyed to the opportunity of new companies with new ideas to test those ideas in the market. In the face of this success, those who would exclude new competitors face a heavy burden of proof. That burden has not been met.

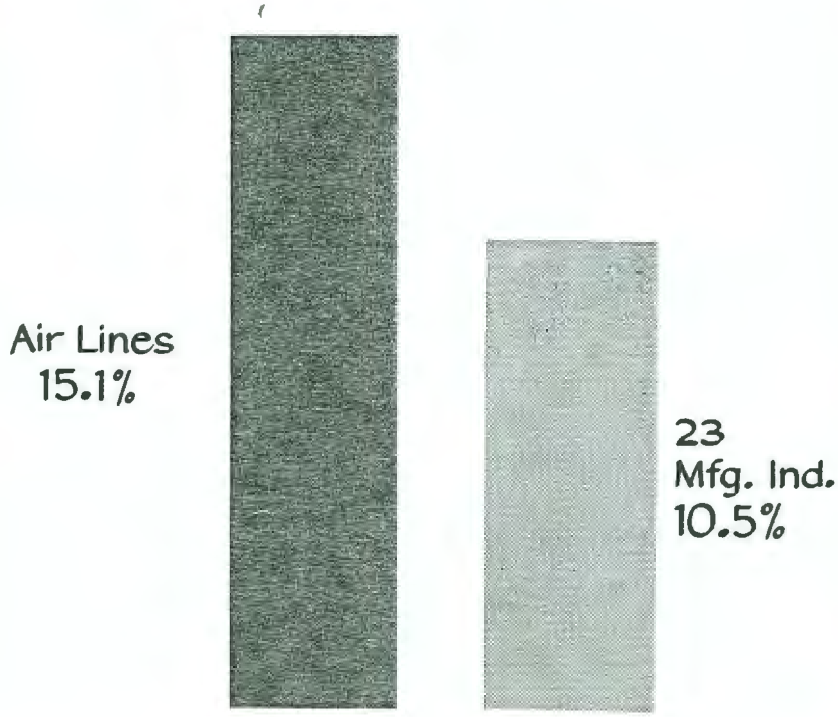
In fact, the most important and dynamic development in air transportation during the past decade, air coach, was developed by an independent air carrier—North American Airlines.




New competition is needed today to assure low coach fares and prevent excessive profits. Certificated coach fares are 49% above the North American level. This means that air passengers today are paying 49% too much for service. More than that, the proper development of air transportation is being stunted by fare levels beyond the means of a large proportion of the market. Yet virtually every certificated carrier is clamoring for still higher fare levels.

## Monopoly by the Grandfather Carriers has led to Excessive Profits

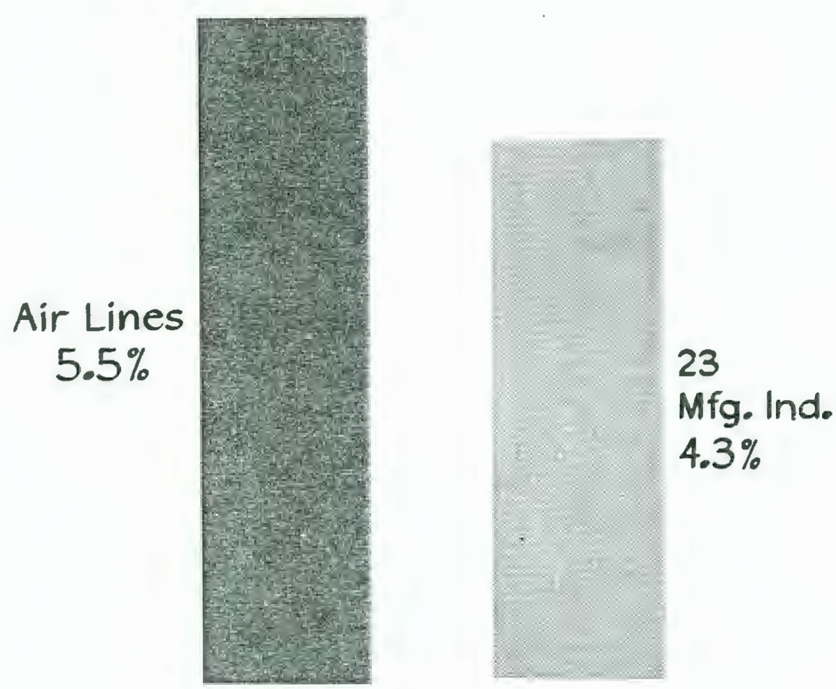
Airline profits on net worth are nearly 50% higher than for non-regulated mfg. industries




source 1953 CAB form 41C
FTC and SEC

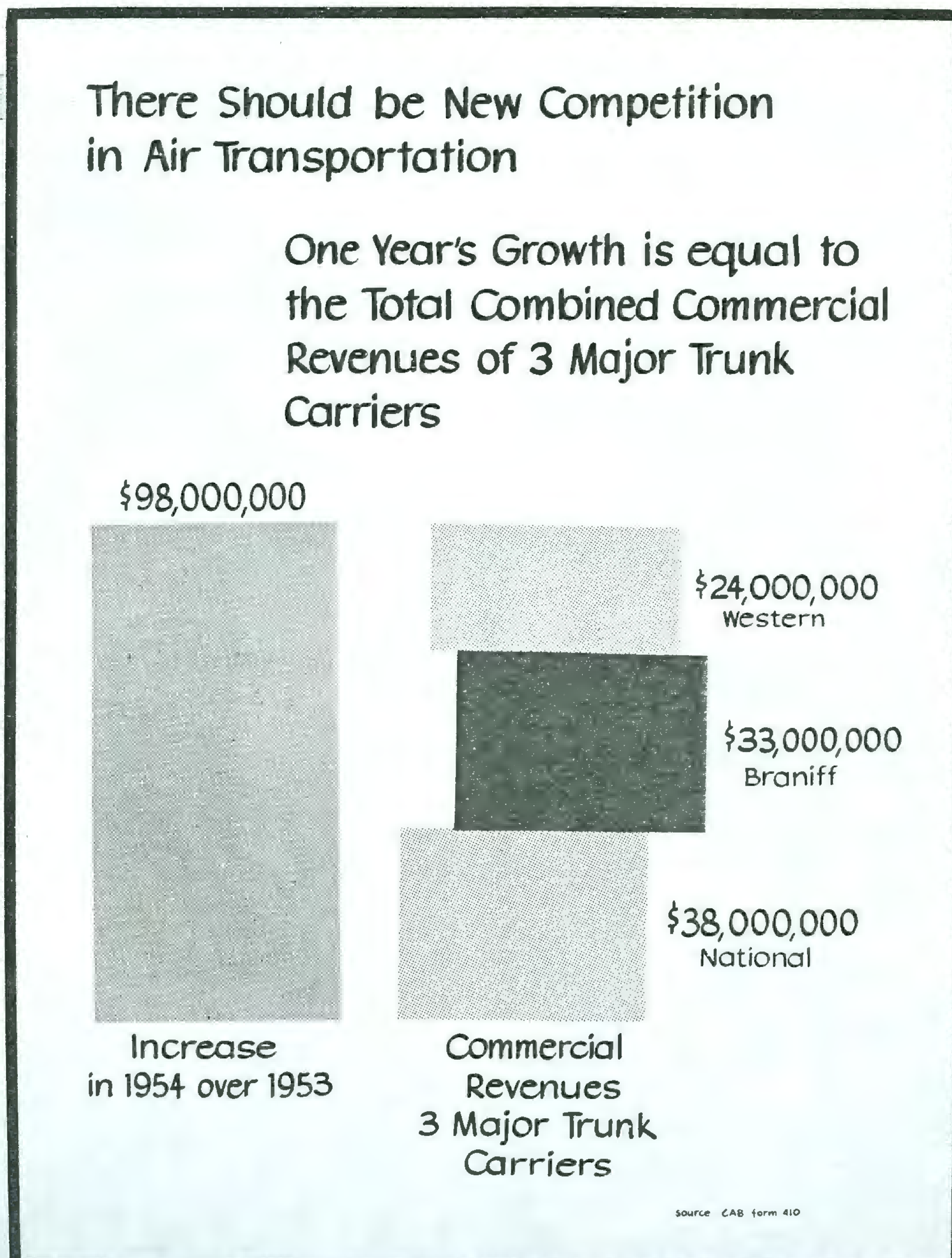
## Monopoly by the Grandfather Carriers has led to Excessive Profits

Airline profits on sales are 25% higher than for non-regulated mfg. industries




source 1955 CAB form 41
FTC and SEC

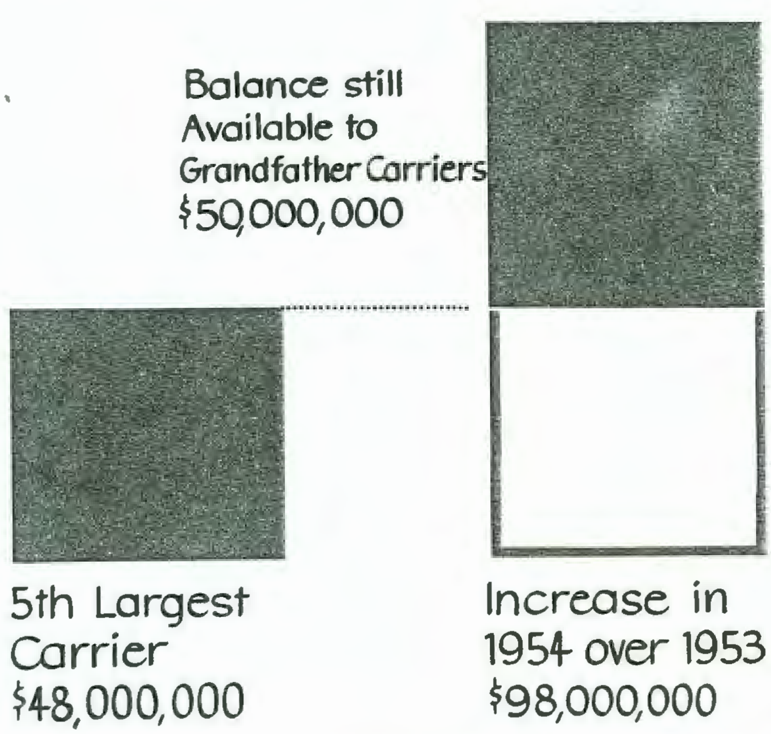
Today every fact demonstrates that there should be new competition in air transportation. There is no reason for complete exclusion of new carriers from the trunkline passenger business. The outstanding fact about air transportation is its growth—a growth of 98 million dollars in one year. This growth is equal to the combined annual revenues of three major trunk carriers, Western, Braniff, and National.

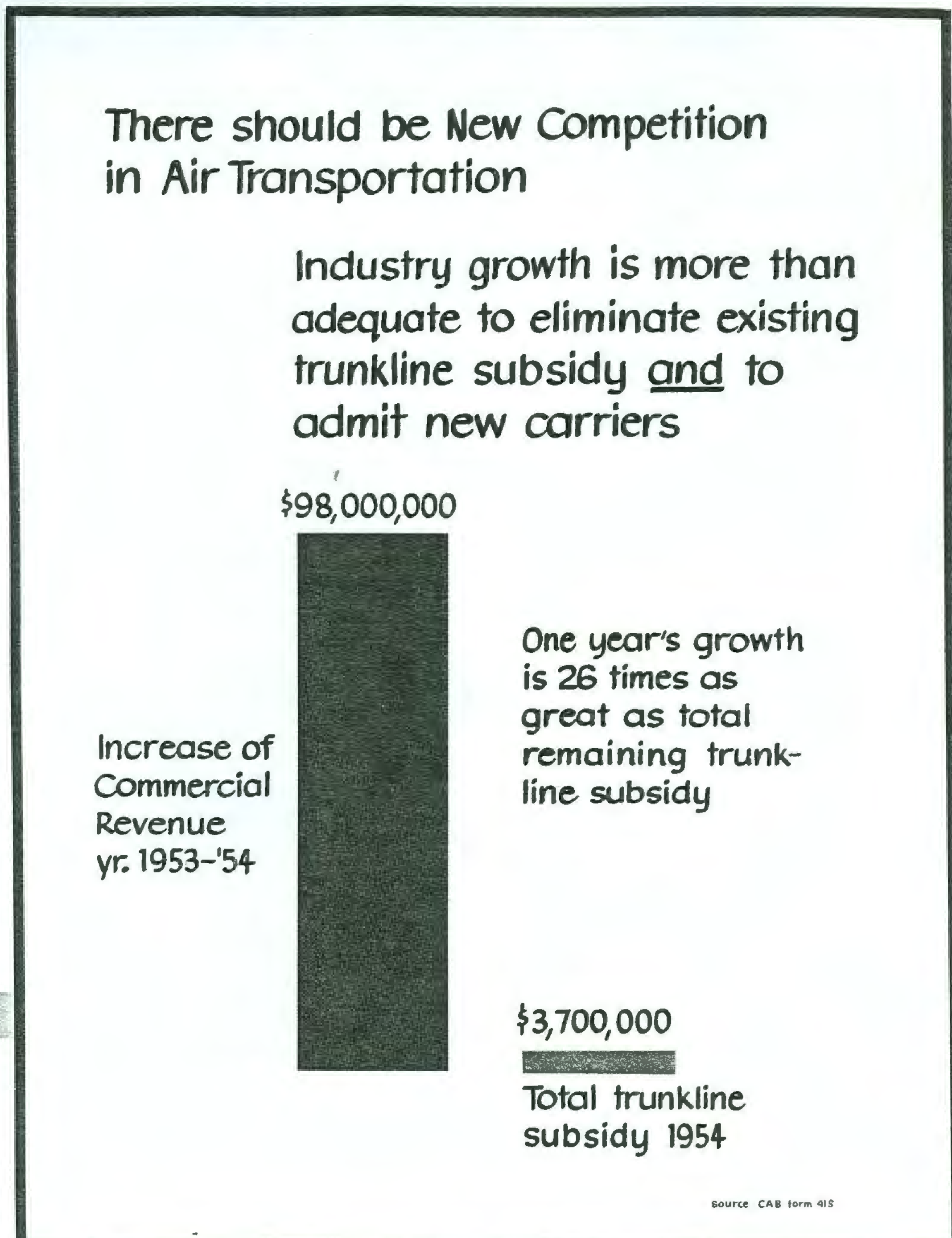


The growth in air transportation is so great that if a new carrier were certificated and became in its first year the fifth largest carrier in the country, a virtually impossible undertaking, the rest of the industry could still grow $50,000,000 in that same year.

## There Should be New Competition in Air Transportation

**If a newly Certificated Carrier should become the 5th Largest Carrier in it's 1st year of Operation, the Grandfather Carriers Would Still Grow by $50,000,000 in that year**

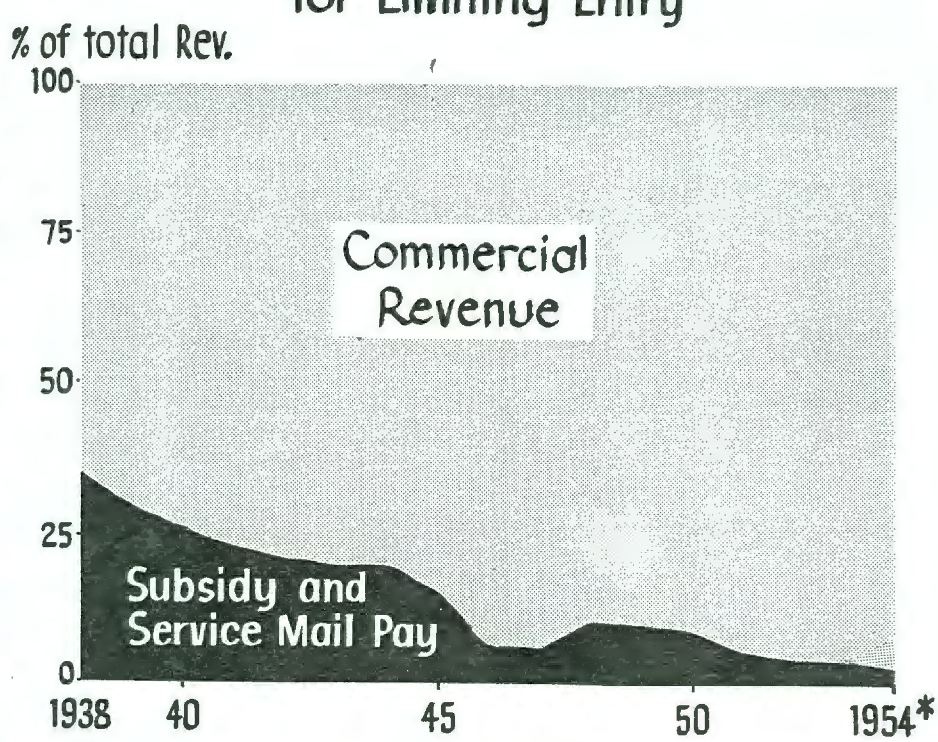





Nor is subsisidy any longer a legitimate barrier to the admission of new companies. In 1938, the whole industry was subsidized. Competition had to be restricted in order to restrict the Government's commitment. Today one year's growth is 26 times as great as the total remaining trunkline

## There Should be New Competition in Air Transportation

### Existence of Subsidy is No longer a Reason for Limiting Entry



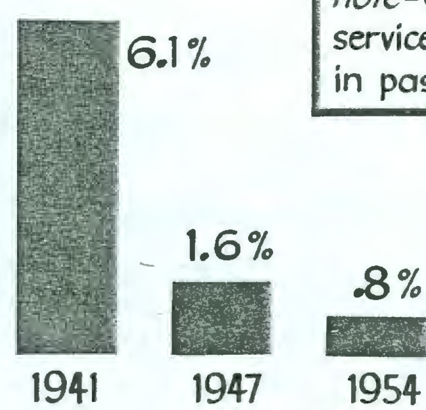

*1954 is the First Year the CAB has separated subsidy from service mail pay

source: CAB form 41S

## There Should be New Competition in Air Transportation

### Trunk Line Service* at Small‡ Stations has become a smaller and smaller proportion of total service

*note*—CAB has suspended service at 42 stations in past 4½ years




*Proportion of Revenue Passenger Miles

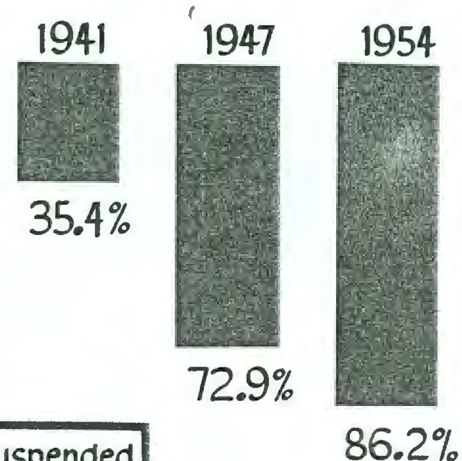
‡less than 775 passengers a month

Source: CAB Air Traffic Survey

In the early days of the Civil Aeronautics Board, it was thought that competition had to be restricted on routes between the larger cities so that airlines could make enough money on large city service to provide service to small towns. This kind of thinking is outmoded in today's billion dollar industry. In 1954, stations with under 775 passengers accounted for only .8 of one percent of the traffic. Stations with over 5500 passengers per month accounted for 86.7% of the traffic.

## There Should be New Competition in Air Transportation

Trunk Line Service* at Big‡ Stations has become a bigger and bigger proportion of total service




*note*—CAB has suspended service at 42 stations in past 4½ years

*Proportion of Revenue Passenger Miles

‡more than 15,500 passengers a month

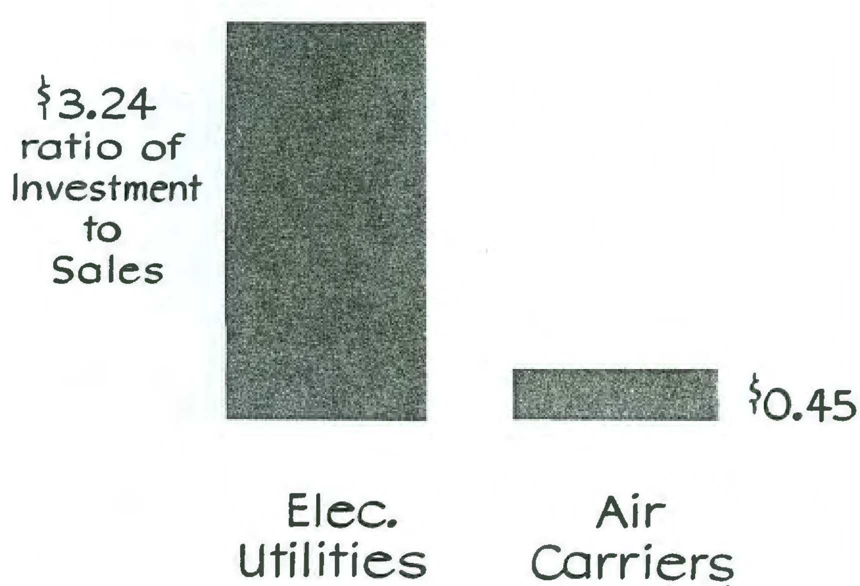
Source: CAB Air Traffic Survey

Air transportation is not a "natural monopoly" where competition won't do the job. It does not have high investment and the large proportion of cash costs and the stable market which are characteristic of traditional public utilities. It is an industry where competition serves the public best.

## There should be New Competition in Air Transportation

### *AIRLINES ARE NOT LIKE PUBLIC UTILITIES*

Electric Utilities have seven times as much investment per dollar of sales as Air Carriers

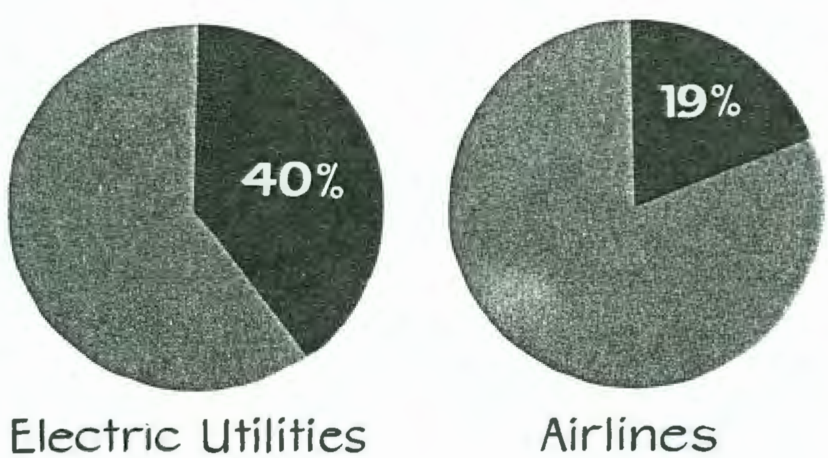


The exclusion of any new airline from the trunk routes has reserved the wealth of air transportation largely for the grandfather carriers. However, there is no correlation between size and efficiency. For instance, the operating costs of Continental Airlines, the third smallest of the grandfather carriers, are lower than TWA, the fourth largest.

## There should be New Competition in Air Transportation

### *AIRLINES ARE NOT LIKE PUBLIC UTILITIES*

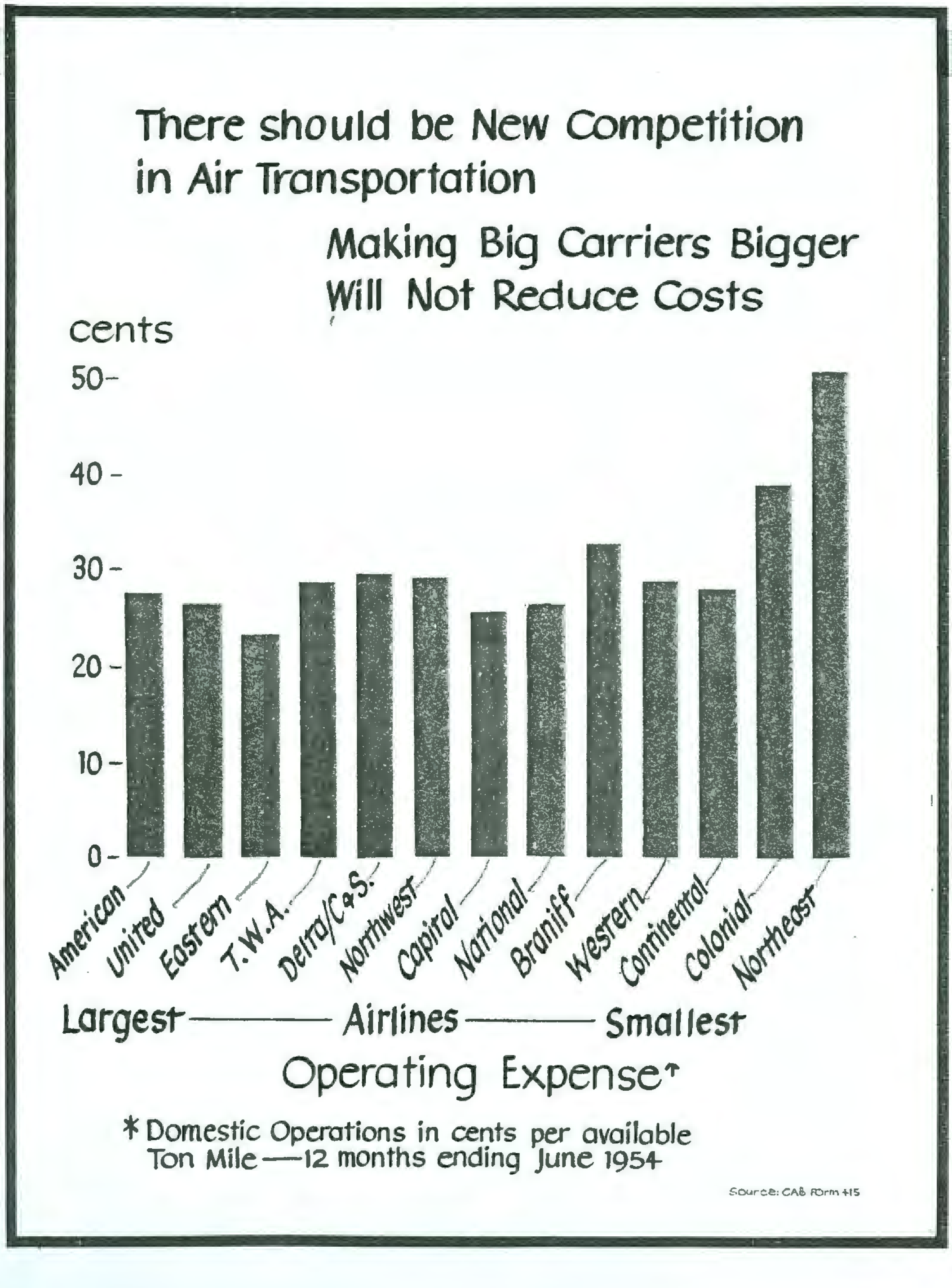
### Public Utilities have twice as great a proportion of non-cash costs




Source CAB form 410
FPC Statistics of Electric Utility (1953)

The seventeen-year exclusion of new carriers from passenger trunk-line transportation is wrong. It runs contrary to the intent of Congress and to basic economic principles.

Air transportation has grown up. The travelling public should no longer be denied the benefits of competition from new entrants. The iron door that has barred all new competition from the trunkline passenger business should be opened. Lower fares and better service to the travelling public are the logical results of new competition.



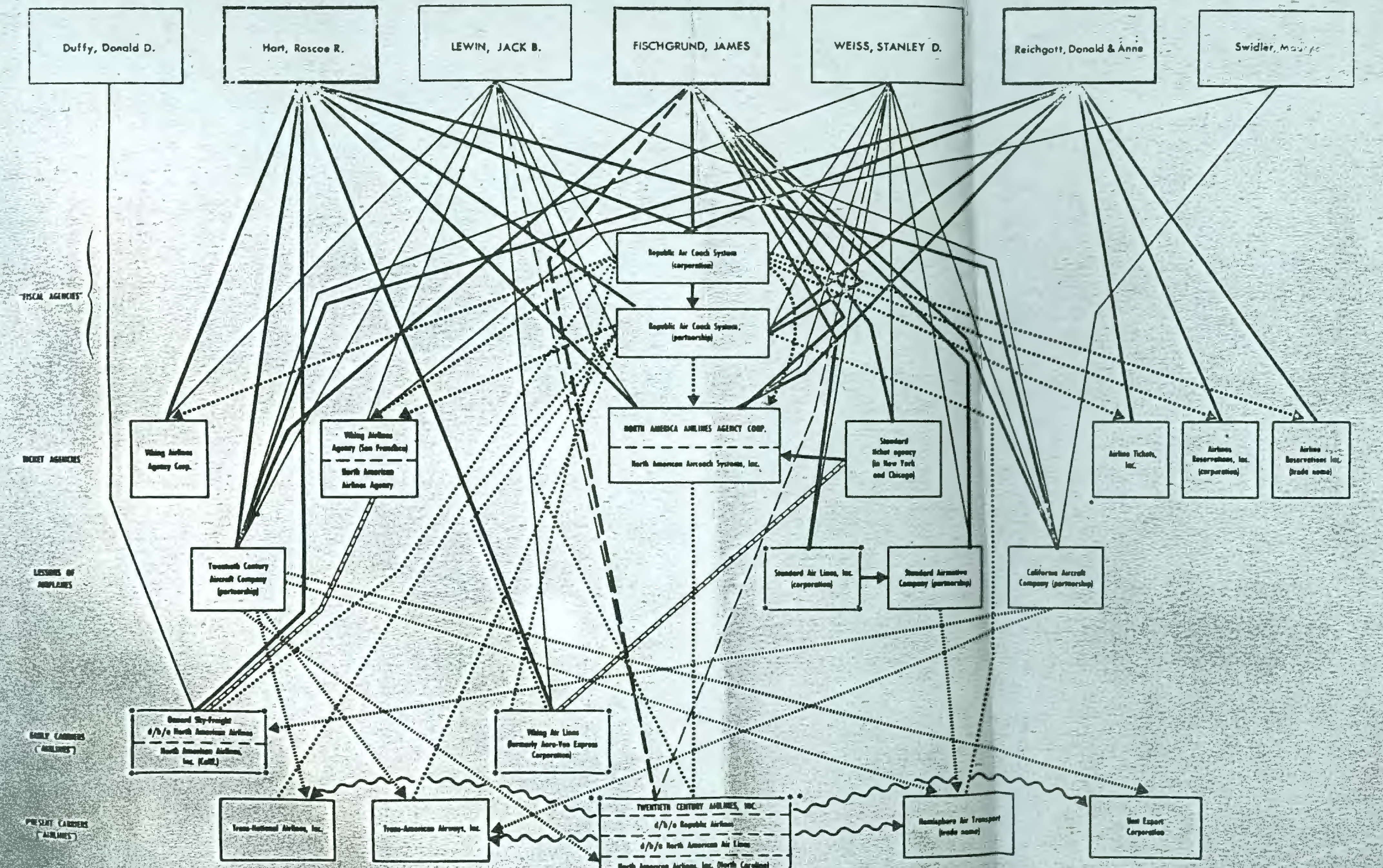

North American Airlines, an independent airline that is seeking permanent operating authority, had its start in late 1945 when a group of returning war veterans decided that the future of air transportation lay in low-cost air travel rather than in the exclusively high fare service then available. North American originated air coach and pioneered its development. For more than four years, the so-called grandfather carriers insisted that air coach was economically impossible. North American proved the soundness of air coach which has now been adopted by almost all airlines and is fast becoming the stable market base for the entire air transportation industry.

North American has been highly successful. It has always operated with a profit without the aid of any Government subsidy. In 1954, it ranked as the eleventh largest domestic airline in terms of revenue passenger miles flown. It carried 193,781 passengers 329,476,000 revenue passenger miles.

North American operates both DC-6B's and DC-4's on its routes between New York and California and New York and Florida. The company's

overhaul and maintenance base at Burbank, California is one of the largest and most modern on the West Coast. North American employs over a hundred flight captains and first officers, many of whom are "million milers."

North American's safety record is outstanding. It has flown more than a billion passenger miles without an accident. North American has always been among the first with the newest technical developments. It was the first airline fleet to be completely equipped with dual omnirange receivers. It was one of the first airlines to use the revolving tail beacons. It was the first airline to introduce rearward facing seats as a measure for greater safety. North American Airlines is active in the national defense programs. Half of its fleet of planes is committed to the reserve program, subject to immediate call in an emergency. Most of its crews maintain reserve commissions and many were called back into active service during the Korean emergency. North American has flown under contract for the Air Force both the Tokyo airlift across the Pacific and the Atlantic Airlift between the United States and Europe.




Names in upper case LEWIN are de- A solid line —— indicates a direct con- had been revoked prior to the period of the carrier or "airline" joined by the line. A line of small rectangles ▭▭ indi-