

# Airline Companies Described As 'Cautiously Optimistic'

By ROBERT J. SERLING  
United Press International  
Washington — (UPI) — What's wrong with the airlines? Are they as bad off financially as recent stories would indicate? Have they over-extended themselves moving into the jet-age?

The following questions and answers, based on interviews with leading airline economics experts, tell what's wrong — and what's right with the nation's most dynamic industry:

**Q.—How bad off are the airlines?**

A.—Not as broke, bankrupt and bothered as some pessimists have been saying. It is true they have been having troubles. They lost \$24 million in the first quarter of 1960, they are deeply in hock on purchases of new jet-powered planes and some of them — such as Capital and Northeast — are up to their wing tips in red ink. But this is purely a one-dimensional picture of gloom. The airlines also have a past and future as well as a present, and the three-dimensional picture is not nearly as dark for the following reasons:

It is a fact that in 1959, only one trunk or major airline operated at a loss: Northeast. Even after considering interest on debts, taxes and other special items, only three carriers lost money: Northeast, Capital and Continental. The poor first quarter performance this year was due partially to the foulest weather in years.

The Airlines traditionally have had tough sledding in a period of major equipment purchases. They had it in the post-war years when they were buying new DC's and Constellations. They are having it again in trying to finance jets and prop-jets that cost as much as \$6 million per plane. Actually, they have done a far better job in planning their jet financing than they did in the post-war new-equipment spurge.

They have something going for them that some pessimists seem to have overlooked: The recent fare increase approved by the Civil Aeronautics Board (CAB) that is supposed to guarantee them a fair rate of return on their mammoth investments, provide stability and assure more flexibility in setting fares.

**Q.—How important is that fare boost?**

A.—All important. For one thing, the 10 per cent rate of investment return the CAB has promised marks the first time the airlines have been considered as an individual utility with its own specific economic problems. In the past, the government has connected a rate of investment return from factors which were applicable to such utilities as railroads and electric companies, but not necessarily to airlines. To put it briefly and bluntly, the main reason the airlines are having financial headaches is because their fare structure has been too low for many years.

**Q.—Do the airlines blame most of their current troubles on the CAB's tacking five years to decide on a rate increase?**

A.—There is some industry resentment and bitterness. But the majority of carriers concede that it wasn't any overnight problem. The factors involved were enormous, complicated, and it's often forgotten that the hearings which began in 1955 were for

the purpose of determining whether fare decreases were needed. Another reason for the long delay was the personnel turnover on the board itself. Everytime a new member was appointed, he had to go over the whole record again. And there have been three new members appointed in the last few months alone.

**Q.—Are the jets causing the airlines' financial troubles?**

A.—Only in the sense that they are so expensive to buy. But blaming the industry's headaches on the jets is gross over-simplification. Despite their size and complexity, the jets are cheaper to fly and maintain than any other aircraft in history. Their engine reliability is fantastic, as much as 20 times superior to piston engines. TWA and American figure their Boeing 707's at a seat-mile cost 40 per cent below DC7's and Constellations. Continental claims it can make money on a jet that's only half-full. One survey showed that a jetliner in one day can gross more than \$50,000 — enough to pay for crew salaries, fuel, amortization, depreciation, expenses of ground facilities, insurance and interest with enough left over for a profit. Jet load factors (percentage of seats occupied) aren't as high as they were in the first year as the airlines added more of the big planes to their routes. Competition has been bitter on duplicated routes. But generally speaking, the jets are money-makers and they are getting people to fly who have never flown before.

**Q.—What about these so-called duplicated routes? Are they a major cause of red ink?**

A.—To a certain extent. President C. R. Smith of American says bluntly there is too much competition on many routes, and many in the industry agree. But the airlines asked for the routes to begin with. Their chief trouble is not too much competition but simply not enough customers. Nearly 55 million passengers flew on scheduled U.S. airlines last year, but the statistic is misleading. Actually only 12 million individuals flew, with enough of them making sufficient flights to reach the 55 million total. Only a small portion of our population has ever been in an airliner — a significant item because it shows there is a vast untapped market which must be educated and sold on air travel.

**Q.—Is it true that one big difficulty has been the airlines' inability to make money on short-haul routes serving cities with low traffic potential?**

A.—Very true. The airlines are forced to serve many communities which don't generate enough business to make such service profitable. There is a decided trend to turn some of these routes over to the subsidized local service airlines. It is a much more pronounced trend, by the way, than merger which many economists believe has been "oversold" as a cure-all to the airlines' troubles.

**Q.—What are the airlines doing about getting rid of their old piston-engine planes as they acquire new jet-powered equipment?**

A.—This is a king-sized headache, but not of the proportions many airline economists feared. First, much of the older fleet has been fully depreciated and amortized. Second, such hard-to-peddle planes as the DC7 and Super-

Constellation are being converted into cargo planes—and the airlines actually are short of equipment in this fast-growing category. Third, there still is a hefty market for the airlines' twin-engine fleet (Convairs and Martins) among the local carriers operating DC3's. While it is true the latter are buying the smaller new prop-jets like the F-27, they can't afford 100 per cent conversion to jet power at present and still need DC3 replacements.

**Q.—Are the airlines themselves optimistic?**

A.—Cautiously optimistic is the best way to put it. They realize the jet age has brought many problems, but for the reasons cited above they believe they can overcome. They are encouraged by the fact that traffic volume in 1959 jumped by seven million passengers over 1958. And they point to the experience of one airline — United — as proof that capable management and solid planning can surmount serious obstacles. United didn't start jet service until September, 1959. For most of that year it pitted its DC7's against TWA's and American's new jetliners on the push transcontinental routes. TWA and American made money, but so did United — an achievement which surprised the entire industry.

## David Foote Now In Washington, D. C.

David Louis Foote, route 1, box 557, Central Point, arrived in Washington, D. C., recently with about 100 other top teenage leaders from all over the U.S. to take part in the 50th annual Boy's Nation program of the American Legion.

Foote was elected Senator at the Oregon Boy's State earlier this summer in Salem. He will attend the national governmental study symposium July 22 to July 29.

Boy's Nation is the largest youth program of its kind, concentrating on an organized study of the functions of the federal government. While in Washington the young senators will conduct a simulated national senate. They will learn "by doing" how the machinery of the elected governmental machinery functions.

## Squares Wear Socks, Says Teen-Age Panel

Oxford, England (UPI) — A panel of four teen-agers told an Oxford university study group Tuesday that while "squares" are "mostly adults who do not understand the teen-age way of life," there are also teen-age squares "who wear socks until they are 17."

## OSCAR WINNER DIES

Hollywood (UPI)—Cedric Gibbons, 85, former head of the art department at Metro-Goldwyn-Mayer and winner of 11 Academy awards for art direction, died Tuesday at his home in Westwood after a long illness.

## Court Records

**DISTRICT COURT**  
Dennis Troxel, Phoenix, driving under influence of liquor, \$200.  
David H. Redmond, improper muffler, \$5.  
Paul J. Scott, excessive over-hanging load, \$15.  
Walter G. Garner, no beam indicator, \$10.  
Warren C. Skogg, violation of basic rule, \$15.  
Matthew J. Winningham, over-height, \$15.  
Judson D. Bailey, failure to dim lights, \$15.  
Marvin M. Burley, no operator's license, \$5.  
Charles J. Crist, failure to stop, \$10.  
James R. Davis, driving while encumbered, \$7.50.  
Edwin Andrew Olsen, excessive over-hanging load, \$15.  
Harry C. Webster, failure to stop, \$15.  
Bonnie H. Miller, improper muffler, \$10.  
David W. Hunter, refusal to weigh load, \$150; no oversize permit, \$15; overload, \$80.  
Raymond L. Bidder, no operator's license, \$5.  
Larry L. Young, overweight, \$15.  
A. C. Dyer, no vehicle license, \$5.  
Harry L. Cole, parking on highway, \$15.  
Harold W. Chapman, overweight, \$15.  
Robert J. Zimmerman, violation of basic rule, \$10.  
Frank L. Moore Jr., inadequate brakes, \$10.  
Alexander A. Smith, no horn, \$5.  
Robert J. Bohl, overweight, \$15.  
Vivian R. Galloway, failure to stop, \$15.  
Doris H. Peterson, obstructed vision, \$10.  
Ivan R. Myers, overload, \$92.

**CIRCUIT COURT**  
Bettie Ford Salo vs. Roy H. Salo, divorce decree.  
Bertha E. Lea vs. Robert R. Lea, divorce decree.  
Janet Liddell vs. G. F. Liddell, divorce decree.  
Lois E. Houser vs. George R. Houser, divorce decree.  
Doris Darlene Holcomb vs. Jacob E. Holcomb, divorce decree.  
Bachel Vase Standley vs. Charles L. Standley, divorce decree.

**MARRIAGE LICENSE APPLICATIONS**  
Robin Ames Binns, 607 Sherman st., Medford, and Nancy Jeanene Hammersley Robinson, route 1, box 202, Gold Hill.  
Edward J. Dierauf Jr., New Jersey, and Verity Louise Day, Berkeley, Calif.  
Carl Francis McQuigg, Grants Pass, and Lois Earlene Adams, 740 Park st., Ashland.  
Stanley Thomas Perishe, Newberg, and Marcia Shirlene Swisher, also of Newberg.

**ASHLAND MUNICIPAL COURT**  
Joseph Aaron Roberts, excessive vehicle noise, fine, \$20.  
Stephen McNair Cummins, violated basic rule, \$20.  
William Richard Snyder, excessive noise, \$20.

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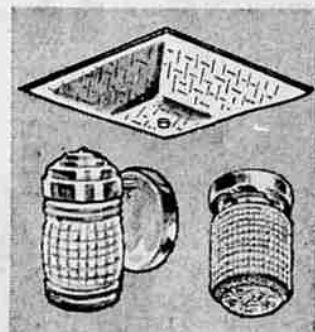
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