AMERICAN AIRLINES SYSTEM

CABLE ADDRESS AMAIR

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OFFICE OF
THE VICE PRESIDENT - PUBLIC RELATIONS

January 27, 1949

Mr. A. G. Carter
Fort Worth Star-Telegram
Fort Worth, Texas

Dear Mr. Carter:

Enclosed is representative editorial comment on the Pan American-American Overseas Airlines proposed merger, which may interest you.

We will, from time to time, send along similar material.

Sincerely,

Rex Smith

Rex Smith

Announcement of the projected merger of American Overseas Airlines with Pan-American World Airways was a news story of international importance.

Virtually all the daily newspapers in the United States carried extensive accounts of the plan, and many of them commented favorably on it in their editorial columns.

A brief but representative selection of the stories and editorial comment is reproduced here.

Rex Smith

Following syndicated editorial by Leon Thrasher appeared in more than 50 papers:

PROSPECTIVE AIR MERGER

The proposed merger of American Overseas Airlines with the trans-Atlantic division of Pan American Airways may raise a question in some minds. It may even bring accusations of monopoly. For the three principal American lines on this route (Trans World Airline is the other) carry 75 per cent. of the passenger traffic. And all three are operating at a profit.

But even if there were only one American line flying the North Atlantic there would still be competition. There are four major foreign companies on the same run. And though they are dividing only a quarter of the business among them, it is quite possible that their percentage of profit is higher.

* *

Prices among these competitors are fixed by international agreement. But the foreign lines are owned and operated by their own governments. The American lines, on the other hand, are only partially subsidized. Our government guarantees a minimum payment for air mail, and that's the extent of it. Yet it reportedly costs an American line twice as much as the British line and three times as much as the Dutch to operate a plane at the fixed tariff.

So it can be seen that while they have most of the business, the American lines cannot afford to run many half-empty planes across the ocean. And lack of capacity business seems a big reason for the proposed AOA-PAA merger.

* *

In a way, American air and ship lines on the Atlantic are in the same fix, although the airlines obviously have the best of it. The S. S. America is the only one of our ships that can compete for the "luxury" trade with Britain's two Queens and other big passenger lines, and the competition is not very keen. America's air equipment is on a par with its competitors, and it is more numerous. Yet both types of carrier must face the problem of much higher labor costs and incomplete subsidy.

Foreign airlines are buying the latest and best American equipment. Our lines must do the same, if they are to enjoy supremacy in at least one of the two means of trans-oceanic travel. And with new Boeing Stratocruisers at about $1,500,000 a throw, that is quite an item.

If a merger of two lines can help maintain that supremacy through more efficient operation, and can reduce the government's subsidy expense in the process, the question of monopoly seems academic rather than realistic.

NEW YORK TIMES
Dec. 20, 1948

ATLANTIC MERGER

Ratification of the agreement for the purchase of American Overseas Airlines by Pan American World Airways will have to wait action of the stockholders of Pan American and of American Airlines and the sanction of the Civil Aeronautics Board. There would appear to be no reason why either should be withheld. When the so-called Atlantic case was finally decided, three airlines were granted routes across that ocean and to various points in Europe and beyond, on the ground that competition in this area, rather than a unified company, would best serve the national interests. It was a surprise to many airline men that the Board at that time placed three carriers in this area rather than two, and questions of the economic soundness of this action have been debated actively, both at the time and since. Should the proposed absorption of American Overseas by the pioneering trans-ocean airline, Pan American, now take place, the principle of competition would still be maintained, as Trans-World Airlines would still be in the field.

Management position of both lines involved in the proposed purchase is that great economy can be effected by its consummation and that a stronger front can be offered to the growing competition of foreign-flag airlines in the Atlantic service. The purchase would also obviate the necessity of new financing on the part of American Overseas to take up its commitment for eight of the new Boeing stratocruisers which it has on order. Pan American is in a position to take delivery of these largest and fastest big liners, in addition to the twenty which it has on order on its own behalf.

From the point of view of public interest the proposal would seem to be in line with recent pronouncements by the chairman of the Civil Aeronautics Board that mergers which tend toward economy and efficiency of operation would be looked upon with favor. This particular transaction might well be a step toward greater frequency of schedule and eventually rate reductions. The record of the overseas carriers has been outstanding from the point of view of safety and good performance. The public demand for transportation has been greater than even the most optimistic expected, immediately post-war. Steps looking toward still more efficient operation of the vital link between the Old World and the New, and looking also toward a strengthening of the American-flag position in air transport, are definitely desirable.

WASHINGTON, D. C., POST
Circ. D. 165,554 S. 174,310

DEC 24 1948

91

Overseas Airlines

Offhand the prospective merger of American Overseas Airlines with Pan American World Airways may seem to give a fillip to the concept of a single chosen instrument for international air traffic. That is not necessarily the proper construction to put on this case. There have been three United States carriers to Europe, and while the projected augmentation of Pan American's operations undoubtedly would give it the major share of Atlantic business, Trans-World Airlines presumably would remain an energetic competitor with a healthy part of the traffic over some of the best routes.

Announcement of the intended purchase has come as something of a surprise. As a matter of fact, American Airlines has been one of the principal opponents of the chosen instrument idea for which Pan American has labored. The merger seems to be strictly one of economics. American is chary of the prospects of future business. Acceptance of the eight new Boeing Stratocruisers it has on order would require extensive refinancing, whereas Pan American is in a position to take over American's commitments along with its own orders for new equipment.

Before the merger can take effect, it, of course, must have the approval of the Civil Aeronautics Board. Domestically the CAB has held the view that mergers bringing greater economic solidarity are desirable. There is reason to extend this view to cover the present case. When three carriers were certificated for transatlantic service in 1945, the CAB decision was questioned on the ground that there would be sufficient business for two lines but not for three. Ironically, Trans-World has been the most vulnerable financially of the three American-flag carriers. Whether it can meet successfully the challenge of an aggrandized Pan American remains to be seen; if for any reason it should falter, then the chosen instrument would be a *fait accompli*. But this is the chance the CAB must take. In any event, the function of the CAB is not to force competition to the point where it becomes artificial, but to regulate it in the national interest. And two relatively strong Atlantic carriers may prove to be more in the national interest than three companies unable to attain a sound financial base.

BOSTON, MASS., HERALD
Circ. D. 150,505 S. 250,493
Sat. 141,565
DEC 14 1948

Airlines for Defense

The merger of American Overseas Airlines into Pan American World Airways is more than a simple consolidation; it is a matter of concern to our national defense.

The whole problem of American flag lines overseas is going to need reassessment in the light of new conditions. Wisely, we believe, Congress rejected the proposal for a single airline under joint American ownership to fly all the foreign routes. This was the "chosen instrument" plan of Pan American. It did not, and still does not, offer the incentives possible under competitive operations.

But it has to be admitted that since the proposal was turned down, the scope of various routes has been seriously restricted. The iron curtain has cut out much of the European business that Pan American expected to exploit. Trans World Airlines has found its North African service pretty unprofitable. The Scandinavian traffic of American Overseas has not been as heavy as it was hoped.

At the same time, world conditions emphasize more than ever the need of maintaining a strong American air service abroad. TWA's North Africa stops may be expensive, but they maintain a strategic alternate route around the iron curtain. Commercial lines to the Near East oil areas take on a pretty vital appearance. Service to whatever parts of the Far East escape the plunging armies of the Chinese Communists must be supported.

It may look at first glance as if Pan American, by this new merger, was working toward a "chosen instrument" of its own creation. It isn't that. There will still exist other American lines overseas to serve as yardsticks of efficient operation, and one of them, TWA, working across the Atlantic. As a matter of fact, the competition has not been a direct one at all, since the CAB parceled out the routes to prevent wasteful duplication of service. Thus of the North Atlantic routes, American Overseas got the north of Europe, Pan American the central section and TWA the south.

If this merger allows the Pan American to prosper and expand more than could the two lines separately, then it serves the national interest. But if it simply permits a retrenchment, then it does not serve.

We have yet to recognize our air line defenses as fully as our merchant marine —or else the latter's lobbying is more effective. Though the air carriers get their subsidy, they haven't got in on such gravy as ECA offered the ships. There was, for instance, no move to bring the displaced persons over on plane seats otherwise unsold. Our air lines not only are a defense arm; they constitute, at least abroad, an infant industry needing protection.

CLEVELAND PLAIN DEALER
Dec. 14, 1948

Air Service Merger

Americans who have observed the course of events in commercial aviation were not surprised when they read yesterday that the trans-Atlantic services of Pan American Airways and American Overseas Airlines were to be consolidated.

It has been the subject of discussion for a number of months that in the rapid expansion of commercial aviation since the end of the war certain unsound competitive practices had developed. Parallel and competing lines have been established where the volume of business has been insufficient to insure profitable operation.

In their commendable efforts to keep in the black some of the companies have been required to lower the standards of their service. The fear has been entertained that standards of safety would have to be let down also unless the business as a whole could be placed on a sound financial basis.

The Pan American-American Overseas consolidation contemplates both improved service and the elimination of a competition from which neither of the companies could profit and for which, in the end, the public was certain to pay.

Competition in the trans-Atlantic service will continue, of course. With costs at their present level it is likely to be keen, what with a number of European companies seeking to earn dollars in this important traffic and the American T. W. A. continuing on its present basis.

From the standpoint of safety 1948 has been the best year in the history of commercial aviation. It has been a year of heavy operating costs and of large capital investment in equipment. As a result of consolidations and adjustments which take account of the operating experience of the postwar period commercial aviation looks forward confidently to the future.

NEW YORK TIMES
Circ. D. 543,583 S. 1,092,054
Sat. 445,992
DEC 19 1948

AVIATION: MERGER

Pan American Proposes to Take Over the American Overseas Transatlantic Run

91

By FREDERICK GRAHAM

A NEW apportionment of the transatlantic air passenger traffic seems clearly indicated as a result of last week's announcement that American Overseas Airlines is planning to merge with Pan American Airways.

Consolidation of the two big international air carriers, subject to the approval of the Civil Aeronautics Board and the stockholders of both airlines, means that only two American-flag airlines will be competing for patronage on the world's richest international air route.

As of now, the three American-flag lines carry 68 per cent of the passengers flying the Atlantic between here and Europe. Five foreign lines carry the rest.

Trans World Airline is handling currently 24.5 per cent of the total transatlantic traffic; American Overseas 22.5 per cent; Pan American, 21 per cent.

Prospects After Merger

That Pan American will automatically add American Overseas Airlines passenger traffic to its own is doubted by many airline people. They feel that PAA will get a major portion of the traffic, but something considerably short of all of it.

The proposed consolidation has raised several interesting questions. One is whether this is a step toward the "chosen instrument" philosophy by merger rather than by government policy. Juan T. Trippe, president of Pan American, has long been a strong advocate of the "chosen instrument," the method followed by many foreign governments whereby a nationalized or subsidized carrier is designated by the Government as the one line to operate in certain parts of the world.

Another question is how the CAB will look upon the merger. In the past it has turned down proposals to consolidate some airlines, but recently Joseph O'Connell, chairman of the CAB, has suggested that the airline people "give serious consideration to desirable mergers and consolidations."

Sounder Base Sought

Reasons for the merger were stated simply by C. R. Smith, chairman of American Airlines, Inc., which holds 60 per cent of the stock of American Overseas Airlines. The revival of normal trade and commerce between the United States and Europe has been slow, he said, and the volume of business does not justify three competing United States carriers.

Mr. Smith also cited the difficulty of obtaining additional capital, and he pointed out that an increased subsidy would be required. AOA, it is understood, believed it could not maintain profitable operation in the foreseeable future without depending to a great degree on mail pay.

When AOA was awarded its Atlantic routes, it seemed likely that the line running into Helsinki, Warsaw and eventually Moscow would be a profitable one. Helsinki is now the end of a cul de sac and the Scandinavian route has been the least profitable of all of the line's overseas schedules.

Other Factors

Another factor that probably loomed large in AOA's thinking was the amount of air traffic that is either government or military. For some time AOA's traffic has been about 50 per cent military or government and this, it was figured, is of a temporary nature.

Still another reason for the willingness of AOA to drop out of the picture is the lack of feeder business it produced for American Airlines. Originally, the overseas company was intended to act as a business builder for the domestic line. It did not turn out to be a great producer of domestic passengers.

What the reaction of the foreign airlines has been to the proposed consolidation of AOA in Pan American's Atlantic pattern is not known. They have not commented publicly, but the chances are they will watch it with the keenest interest. The foreign lines, according to Mr. Trippe, have increased by more than 50 per cent the proportion of traffic [illegible] their planes.

ALLENTOWN, PA., CHRONICLE
Circ. D. 19,360
DEC 18 1948

91

OCEANIC AIR SUPREMACY

Some observers may question the proposed merger of American Overseas Airlines with the trans-Atlantic division of Pan American Airways on the grounds that the consolidation would bring about a monopoly. If they do, there seems to be little basis in fact for their contention.

These carriers are only two of the three principal American lines flying this route and there are also four major foreign companies on the same run thus assuring competition, even though the foreign lines now share in only a quarter of the business, the American lines getting the bulk of it.

International agreement sets the tariffs among the lines. But the foreign carriers are owned and operated by their own governments, whereas the American lines are only partly subsidized.

Our government guarantees a minimum payment for air mail, and that is all. Yet it reportedly costs an American line twice as much as the British and three times as much as the Dutch to operate a plane at the fixed tariffs.

The latest and best American equipment is being procured by the foreign airlines. Our lines must do the same if they are to continue to enjoy supremacy in the air as the British ship lines do on the sea. If a merger of two lines can help maintain that supremacy through more efficient operation, and can reduce the government's subsidy expense in the operation, the question of monopoly appears to be academic rather than realistic.

NEW YORK WORLD-TELEGRAM
Circ. D. 382,665 S. 231,514

DEC 22 1948

Merger May Give Pan Am Long-Sought Feeder Lines

American's Facilities Would Complete a Global System

91

By MAX B. COOK,
Scripps-Howard Aviation Editor.

Pan American World Airways may win a long battle for a domestic link to its global system if the Civil Aeronautics Board indorses the proposed consolidation of Pan American and American Overseas Airlines.

Max B. Cook.

If Pan American takes over American Overseas it will have a feeder line which will connect up with both its Pacific and Atlantic routes.

Under present conditions, American Airlines could not be expected to feed Pan American with overseas passengers as long as it operated ocean lines of its own. The same is true of Trans World Airways and, persons close to the picture point out, United Air Lines, although United has no overseas service except to Honolulu

American serves 24 states and has 74 ticket and sales offices which will be cordially disposed to selling Pan American. This is especially true because, if the merger is indorsed, many American stockholders will also be Pan American stockholders. Pan American representatives point out that, while this will not be as good as a domestic route, it "is better than having all of the significant domestic feeder service either indifferent or actively unfriendly."

• • •

Added financial strength resulting from the merger will enable the U.S.-flag carriers to present a better front against the rapidly growing foreign-flag, government-subsidized lines. Last year, the foreign air lines carried about 24 per cent of the traffic. This year, the proportion has increased more than 50 per cent. Foreign lines now carry 37 per cent of the trans-Atlantic traffic.

The threat they represent is none the less serious though they have been limited in the immediate postwar period by dollar shortages.

In one case, for instance, wages of British Overseas Airways Corp. employees are less than half that of the American companies. Those of KLM (Royal Dutch) are less. Inasmuch as labor represents approximately 50 per cent of the cost of operations, the American flag carriers are at a disadvantage.

In discussing this, Juan Trippe, president of Pan American, said, "The financial position of the carriers would be strengthened (by the merger) and the opportunity of preserving a fair share of the future North Atlantic air traffic under the American flag would be improved."

• • •

The President's Air Policy Commission recently criticized the air transport industry for its chronic financial weakness. The suggested merger is "the first break in the unrelieved gloom of the overall financial picture," the two airlines have pointed out.

In Chicago, last October, Joseph J. O'Connell Jr., Civil Aeronautics Board chairman, outlined its possible future policy on airline mergers. He said: "I believe that the industry must give serious consideration to desirable mergers and consolidations. Some personal and some corporate ambitions will have to be relinquished."

NEW YORK HERALD TRIBUNE
Circ. D. 320,657 Sat. 265,495 S. 681,137

DEC 17 1948

HERALD TR

THE AIR WORLD

By GILL ROBB WILSON

Overseas Lines' Merger Seen Cutting Subsidy Cost

At some point soon every good citizen must assume responsibility for saving the country some money. This is the crux of the matter involving the purchase of American Overseas Airlines by the Pan American World Airways System.

Three United States-flag air lines across the North Atlantic—American Overseas, Pan American and Trans World Airline—have proved to be at least one too many. The record indicates necessity for higher and higher trans-ocean air mail pay each year, and the air lines are predicting more may be required next year than this.

The total business has been disappointing, especially so since it is divided among three lines. Operation of the three lines has required three sets of overhead. Join two of them and you have immediate savings and greater load factors on the lines operating. These savings will be reflected in lower requirements for subsidy.

Charges of monopoly will be hurled at the proposed consolidation. However, those who hurl them must produce more than emotional reaction. They must provide an answer as to how otherwise we can have a sound overseas air-transport system without increasing government subsidy.

No Crime in Bigness

The writer is one of those who has always opposed the chosen-instrument theory and has not changed his mind in this respect. On the other hand, he fails to see any crime in bigness, if bigness is arrived at by the free will of those whose capital is involved in private enterprise.

Both Pan American and American Overseas are capably operated companies. If both were weaklings no one would have any objection to their amalgamation. The fact that both are strong should be added reason to think that as one operation they can bring air travel to a greater number of people at lower cost to both the traveler and the government.

It appears probable that the Civil Aeronautics Board will approve the American Overseas-Pan American consolidation. Back as far as the mid-'30s various members of the C. A. B. foresaw the necessity of ultimate consolidations in the domestic picture. Presumably, the same philosophy holds true in relation to the overseas segment of air commerce.

The American Overseas-Pan American consolidation will require normally from six to eight months, depending on the promptness with which the C. A. B. renders its decision.

There have been rumors of internal disagreement in the companies involved in the merger. I doubt they are serious. Like military unification, nothing tangible is possible without some surrender of personal ambitions and some compromise in a program which had not previously been considered. However, the problem is factual, not emotional. If the consolidation represents good business judgment and is in the public interest it will not be long before disappointment is overcome.

Domestic Route Prospects Fade

Pan American's application for a domestic trans-continental route appeared rather thin in prospect even before this latest merger proposal. The prospect appears to be still further diminishing with the proposal.

Another probable effect of the American Overseas-Pan American merger will be to stimulate the imagination of other strong units of air commerce to consider kindred alignments. The writer can envisage what might happen if United Air Lines and Northwest Airlines joined forces, or if T. W. A., Western and Northwest decided to consolidate, or if in the domestic picture alone any one of the major operators moved to join together with such lines as Western, Mid-Continent, Delta and Capital. It is not inconceivable that some of the Class B lines such as Western, Braniff, Delta and Capital would merge into a strong domestic system of their own.

One thing is sure, the cost of air commerce must be tackled from every possible angle if the national bill for support of air commerce is to be reduced. Administration and fixed overhead constitute one of these major angles.

The passing of the individuality of some of these companies will cause heart burning to personnel within the companies and to devotees among the public. But this is the price that must be paid for all progress. We cannot have our cake and eat it, too; and the time has come when one and all must include in their objectives wherever they possibly can the saving of money by the Federal government.

THE NEW YORK TIMES

American Overseas Airlines Set For a Merger With Pan American

By JOHN STUART

Purchase of the routes and assets of American Overseas Airlines for stock in Pan American Airways was agreed upon yesterday, the two companies announced last night. The merger agreement is subject to approval by the stockholders of both concerns and the Civil Aeronautics Board.

The companies cited recent statements of Joseph J. O'Connell Jr., chairman of the CAB, who urged that the air transport industry "give serious consideration to desirable mergers and consolidations."

C. R. Smith is president of Overseas and chairman of its principal stockholder, American Airlines. He and Juan T. Trippe, president of Pan American, said the merger was of the character advocated by Mr. O'Connell.

Mr. Smith commented that the unification had been made advisable by the slow development of normal trade and commerce between the United States and Europe. Mr. Trippe described the merger as providing important operating economies in the interest of obtaining a fair share of the Atlantic air traffic for American-flag concerns.

Reports continued to circulate, however, of opposition by American Airlines stockholders and officials of American Export Lines, Inc., the steamship company that founded Overseas and still holds 20 per cent of the stock. Government sources also were declared opposed.

Yesterday's statement for the first time gave notice that the plan removed American Airlines from any participation in Pan American management. The stock to be received from the sale of Overseas—in which American Airlines holds more than 50 per cent of the shares—would be put into a voting trust not under the recipient's control until the Pan American stock could be sold to the public or distributed to American Airlines shareholders. The amount of stock involved in the transfer would be determined by

Continued on Page 39, Column 2

MERGER PROPOSED BY 2 BIG AIRLINES

Continued From Page 1

an independent audit of the assets of Overseas as of Dec. 31.

Possible Government opposition to the merger was laid to its violation of the fundamental plan for Atlantic traffic made by the Civil Aeronautics Board in decisions of 1944 and 1945. Under these Transcontinental & Western Air received the Paris gateway to Europe and was certificated through Italy and Egypt to India to compete with Pan American. The latter shared the London gateway with Overseas and continued through Brussels, Prague, Vienna, the Balkans, Turkey and the Middle East to India.

American Airlines was assigned to Scandinavia and, continuing from London, to Frankfort, Berlin, Warsaw and Moscow. The Scandinavian business has not been profitable but that to Germany and the share of the London business has been highly lucrative. Just as Pan American was cut off at Vienna by the "iron curtain" from Balkan routes—the company flies to Turkey by detouring through Rome and Athens—American Overseas never has been able to fly beyond Berlin to Poland and Russia. This is the condition believed referred to by Mr. Smith in alluding to the slow movement of normal air traffic.

Comment by Trippe

Mr. Trippe commented that in the last year the eight subsidized foreign air carriers had increased their share of the Atlantic business 50 per cent, compared with the previous year. American flag lines still fly 75 per cent of the Atlantic business, currently almost evenly divided among Pan American, Overseas and TWA.

Both officials said the agreement called for Pan American to hire all possible Overseas employes if the services were merged. The Airline Pilots Association and other airline labor groups—including the Transport Workers Union, which has started a drive for organization of airline maintenance men—were reported to be preparing to scrutinize the results.

The current fleet of American Overseas consists of seven Lockheed Constellations and four Douglas DC-4's, with eight Boeing Stratocruisers on order. The employes number about 1,300.

In Washington Mr. O'Connell said he had been asked to comment on the merger two weeks ago and to discuss it with the other members of the board, but had refused because it must come formally before the board for approval.

Usual procedure there involves months. All interested parties must be notified and heard at public inquiries. The President's approval of the merger also would be required, as the merger affects foreign air commerce. In various recent cases Mr. Truman was reported to have overruled the board.

NEW YORK WORLD-TELEGRAM

Pan American Weighs Merger With Overseas

Aviation circles today awaited the development of possible opposition to the proposed amendment of American Overseas Airlines and Pan American Airways, potentially one of the largest mergers in the history of aviation.

Under the plan announced jointly by the two companies, AOA's assets and transatlantic routes to 11 European countries would be ceded to Pan American in exchange for stock in the latter company. AOA would distribute the stock among its stockholders and would then be dissolved.

until sold or distributed among American Airlines stockholders.

The merger is subject to approval by stockholders of both concerns and by the Civil Aeronautics Board.

While the plan would make American Airlines, which owns more than 60 per cent of AOA capital stock, a major stockholder in Pan American, it was announced American Airlines planned to take no active part in the management of Pan American. Instead, the Pan American stock would be placed in a voting trust

FORT WORTH STAR-TELEGRAM

2 ATLANTIC AIRLINES PREPARE TO MERGE

WASHINGTON, Dec. 12 (AP).—Plans for the largest merger in American commercial aviation history—joining American Overseas Airlines with Pan American Airways—were announced Sunday night.

A joint announcement by the airlines said they had agreed to consolidation of American Overseas' routes with trans-Atlantic services of Pan American. The merger agreement is subject to approval by the Civil Aeronautics Board and stockholders of the two companies.

Such a consolidation would mean merger of the world's largest international air carrier and a subsidiary of the nation's largest domestic carrier. AOA is controlled by American Airlines.

The announcement did not give the value of property involved in the proposed merger.

The consolidation also would weld two of the three U. S.-flag lines which operate trans-Atlantic air service. The third is Howard Hughes' Trans World Airline.

C. R. Smith, AOA president, gave these reasons for the proposed merger:

"Slow revival of trade between the United States and Europe; the fact that the foreseeable volume of business does not justify the continuation of three competing U. S. carriers on the NorthAtlantic route; the increased subsidy which will be required to sustain free carriers; and the difficulty of securing the additional capital which will be required for the future."

SAN FRANCISCO CALL-BULLETIN

2 Airlines Joined By Merger

NEW YORK, Dec. 13 (AP).—Pan American World Airways and American Overseas Airlines have agreed to the biggest merger in American commercial aviation.

Plans for consolidation of American overseas' routes to 11 countries in Europe with Pan American's transatlantic services were announced by both companies last night.

Routes and assets of American Overseas Airlines would go to Pan American in exchange for Pan American stock. After this stock was distributed, American Overseas Airlines would be dissolved.

The merger agreement is subject to approval by the stockholders of both concerns and the Civil Aeronautics Board.

Pan American World Airways is the largest international air carrier, and American Overseas Airlines is a subsidiary of American Airlines, the nation's largest domestic carrier.

The merger would leave only one other U. S. flag line operating transatlantic air service—Howard Hughes' Trans World Airline.

SEATTLE TIMES

Pan American And Overseas Airlines Merge

By Associated Press.

NEW YORK, Dec. 13.—Pan American World Airways and American Overseas Airlines have agreed to the biggest merger in American commercial aviation.

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DAYTON DAILY NEWS

Pan American, AOA Announce Merger Plans

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HUGHES, WHO was not immediately available for comment, attacked Pan American's policies before a congressional investigating committee a year ago. Hughes, TWA's largest stockholder, said Juan Trippe, president of Pan American, was attempting to organize an international air travel company monopoly and to force TWA to merge with it.

Sen. Owen Brewster (R-Me.)—who Hughes had said was backing Trippe—said in a statement here that the merger announced last night "is in general line with what I've always believed is the inevitable pattern of overseas air operations."

"It is the only practical way of meeting the highly subsidized foreign competition with which we are faced," said Brewster, who had been in a bitter exchange with Hughes at the time of the investigation.

CHICAGO DAILY TRIBUNE

Finance

Monday, Dec. 13, 1948 Part 4 Page 5

Two Overseas Air Lines Announce Merger Plans

Merger of American Overseas Airlines and Pan American Airways [redacted] civil aeronautics board and stockholders of the two companies, was announced last night.

Under the proposal, all assets of A. O. A., which is controled by American Airlines, would go to Pan American in exchange for an undetermined number of shares of Pan American stock. Determination of the number of shares will be based on Dec. 31 assets and liabilities of the companies.

Will Consolidate Routes

A joint announcement by the air lines said overseas routes of A. O. A. into England, Scandinavian countries, and Germany would be consolidated with the trans-Atlantic services of Pan American. All employes of A. O. A. will be absorbed by Pan American, it was said.

Withdrawing from competition for overseas business represents a reversal of policy by American Airlines. C. R. Smith, chairman of this company and of A. O. A., said his companies had agreed to the withdrawal in recognition of the fact that the unexpectedly slow revival of trade with Europe did not justify maintenance of three United States flag lines in competition with four subsidized foreign flag lines.

Juan T. Trippe, Pan American president, said operation of competing United States air lines in competition with foreign lines having lower pay rolls and using identical American made equipment was not economically justified. He said the major foreign lines in trans-Atlantic operation have increased their business more than 50 per cent in the last eight months, and recalled that he had been predicting such results for about two years.

Takes Over Plane Orders

Pan American will take over A.O.A. orders for eight Boeing Stratocruiser planes which were to be substituted for Constellations now being operated. It also will acquire five Constellations now being operated by A.O.A. Pan American is operating about 15 Constellations.

The other United States air line operating overseas is Trans World Airline with flights to Paris, Rome, Cairo, and Manila.

CHICAGO DAILY NEWS

Overseas Line To Merge with Pan American

NEW YORK--(AP)--The merger of American Overseas Airlines with Pan American Airways has been announced.

A joint announcement by the airlines said the agreement calls for consolidation of American Overseas routes with trans-atlantic services of Pan American.

The agreement is subject to approval by the Civil Aeronautics Board and stockholders of the two companies.

The announcement said A.O.A. assets would go to Pan American in exchange for Pan American stock.

To Be Dissolved

After distribution of that stock, American Overseas Airlines will be dissolved, the announcement said.

The amount of stock to be distributed has not been determined at this time, the announcement said.

LONDON, ENGLAND: NEWS-CHRONICLE

LOSSES MAKE U.S. AIRLINES MERGE

By RONALD WALKER, the Air Correspondent

FIRST major result of the heavy losses sustained by the American airline companies is the announcement from Washington that American Overseas Airlines, one of the three largest of the U.S. companies operating overseas services, is to be merged into Pan American Airways.

Last year only one internal American airline and one external line (Pan American) showed profits.

The rest suffered a huge aggregate loss.

It is reported that Pan American are working to effect a merger with Trans-World Airline which also lost money last year.

BOSTON HERALD

Pan American Staff May Double Here As Merger Result

Pan American Airways, which now operates more transatlantic flights from Boston than any other line, probably will have to double its local staff as the result of a merger announced in New York yesterday with American Overseas Airlines.

American Overseas, the trans-ocean division of American Airlines, will turn over to Pan American 10 regular flights it now operates from this port. The present local staff of American, including mechanics and other resident personnel, will be unaffected by the merger since all are carried now on the domestic service payroll.

The consolidation of the trans-atlantic services, announced jointly by the two lines, will require approval of the Civil Aeronautics Board and the stockholders of both companies. A.O.A. assets are to go to Pan American in exchange for Pan American stock, and after the stock distribution A.O.A. will be dissolved. An audit to determine assets and liabilities of both companies will begin Dec. 31.

COPENHAGEN LAND OG FOLK

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Konkurrencen i luften skærpes

Indenfor europæiske luftfartskredse har det vakt betydelig opmærksomhed, at det amerikanske luftfartselskab »Pan American Airways« har købt luftfartselskabet »American Overseas Airways«, som siden krigen bl. a. har haft ruter til Skandinavien. Sammenslutningen må ses som indledning til dannelsen af eet stort amerikansk luftfartselskab, der kan komme til at kontrollere luftruter over hele verden.

Alene sammenslutningen mellem Panamerican og AOA, der ventes at blive en realitet om et halvt års tid, vil betyde en skærpet kamp mellem europæisk og amerikansk luftfart på ruterne over Nordatlanten.

WASHINGTON EVENING STAR

Merger Plan Detailed By Pan Am, American Overseas Airlines

By the Associated Press

NE WYORK, Dec. 13.—Pan American World Airways and American Overseas Airlines have agreed to the biggest merger in American commercial aviation.

Plans for consolidation of American Overseas' routes to 11 countries in Europe with Pan American's trans-Atlantic services were announced by both companies last night.

Routes and assets of American Overseas Airlines would go to Pan American in exchange for Pan American stock. After this stock was distributed, American Overseas Airlines would be dissolved.

The merger agreement is subject to approval by the stockholders of both concerns and the Civil Aeronautics Board.

Pan American World Airways is the largest international air carrier, and American Overseas Airlines is a subsidiary of American Airlines, the Nation's largest domestic carier.

TWA Only U. S. Competitor.

The merger would leave only one other United States—Flag line operating trans-Atlantic air service—Howard Hughes' Trans-World Airline.

Mr. Hughes, who was not immediately available for comment, attacked Pan American's policies before a Congressional investigating committee a year ago. Mr. Hughes, TWA's largest stockholder, said Juan Trippe, president of Pan American, was attempting to organize an international air travel company monopoly and to force TWA to merge with it.

Senator Brewster, Republican, of Maine—who Mr. Hughes had said was backing Mr. Trippe—said in a statement here that the merger announced last night "is in general line with what I've always believed is the inevitable pattern of overseas air operations."

"It is the only practical way of meeting the highly subsidized foreign competition with which we are faced," said Senator Brewster, who had been in a bitter exchange with Mr. Hughes at the time of the investigation.

Trippe Sees Economies.

Senator Brewster said the plans are in line with recent announcements by the Civil Aeronautics Board that serious consideration should be given to mergers and consolidations of airlines. He said each major foreign country has one airline handling overseas air transport.

The merger announcement did not give the value of the property involved.

C. R. Smith, American Overseas Airlines president, said the merger was planned because of: "Slow revival of trade between the United States and Europe; the fact that the foreseeable volume of business does not justify the continuation of three competing United States carriers on the North Atlantic route; the increased subsidy which be required to sustain free carriers; and the difficulty of securing the additional capital which will be required for the future."

Mr. Trippe said: "As a result of the merger, important operating economies would be affected. The financial position of the carriers would be strengthened, and the opportunity of preserving a fair share of future North Atlantic air traffic under the American flag would be greatly improved."

Still Seeks Routes in U. S.

A spokesman for Pan American, which has asked the CAB for permission to set up certain routes within the United States, said the planned merger "does not change in any way our petition as far as domestic routes are concerned."

Joseph J. O'Connell, jr., CAB chairman, said in Washington that the two lines had asked the board for an informal opinion on the merger plan, but that the board could not give an opinion until the project had been presented formally.

The petition will be presented to the CAB next week, a Pan American spokesman said, and he estimated the merger—if approved—would take six months to complete. Any decision by the board on international air routes is subject to approval by President Truman.

The joint announcement said that American Airlines, as a major stockholder in American Overseas Airlines, would receive a stock interest in Pan American, but would take no part in its management.

The stock would be put in a voting trust and later sold to the public or distributed to stockholders of American Airlines.

A Pan American spokesman said "we will take over the workers of American Overseas Airline and try to find suitable employment for them within the Pan American organization."

PHOENIX GAZETTE

Pan AM, AOA Merger Plan Links Two Major Transatlantic Airlines

NEW YORK, Dec. 13 (AP)—Pan American World Airways and American Overseas Airlines have agreed to the biggest merger in American commercial aviation.

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The merger agreement is subject to approval by the stockholders of both concerns and the Civil Aeronautics Board.

Pan American World Airways is the largest international air carrier, and American Overseas Airlines is a subsidiary of American Airlines, the nation's largest domestic carrier.

The merger would leave only one other U. S.-flag line operating transatlantic air service—Howard Hughes' Trans World Airline.

Hughes, who was not immediately available for comment, attacked Pan American's policies before a congressional investigating committee a year ago. Hughes, TWA's largest stockholder, said Juan Trippe, president of Pan American, was attempting to organize an international air travel company monopoly and to force TWA to merge with it.

Senator Owen Brewster, Republican, Maine—who Hughes had said was backing Trippe—said in a statement here that the merger announced last night "is in general line with what I've always believed is the inevitable pattern of overseas air operations."

"It is the only practical way of meeting the highly subsidized foreign competition with which we are faced," said Brewster, who had been in a bitter exchange with Hughes at the time of the investigation.

Brewster said the plans are in line with recent announcements by the Civil Aeronautics Board that serious consideration should be given to mergers and consolidations of airlines. He said each major foreign country has one airline handling overseas air transport.

The merger announcement did not give the value of the property involved.

ST. LOUIS POST DISPATCH

TWO U.S. AIRLINES AGREE TO MERGE OVERSEAS ROUTES

Pan American World and American Overseas Seek to Consolidate for Economy.

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The merger would leave only one other United States flag line operating trans-Atlantic air service — Howard Hughes's Trans World Airline.

Hughes, who was not immediately available for comment, attacked Pan American's policies before a congressional investigating committee a year ago. Hughes, T.W.A.'s largest stockholder, said Juan Trippe, president of Pan American, was attempting to organize an international air travel company monopoly and to force T.W.A. to merge with it.

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3 Firms in Competition.

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