

AMERICAN AIRLINES, INC.
New York

July 14, 1952

To: The Directors

Some who opposed the sale of American Overseas did so on basis of belief, or statement to that effect, that the business would earn substantial profit.

So long as the carriers are heavily subsidized by the Federal Government there is, in my opinion, little chance that there will be substantial profit in the business. Instead, there may be difficulty in securing an adequate return on the capital invested.

The Civil Aeronautics Board has recently issued a report on subsidy in the overseas field. In the field of the North Atlantic, where American Overseas operated, the direct subsidies paid and estimated to be paid are:

		<u>Subsidy</u>	<u>% of Subsidy to Total Revenue</u>
Year of 1951:	Pan American	\$ 10,609,000	16.4%
	TWA	4,391,000	9.3
Year of 1952:	Pan American	9,282,000	13.9
	TWA	4,314,000	9.2
Year of 1953:	Pan American	8,884,000	12.5
	TWA	4,003,000	8.9

Competition from the foreign air carriers is indicated by this table:

	<u>Calendar Years</u>		
<u>Number of passengers carried:</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>
Foreign flag carriers	77,933	103,754	122,195
U. S. flag carriers	<u>162,779</u>	<u>175,021</u>	<u>164,608</u>
Total	240,712	278,775	286,803
% of U. S. carriers	67.6	62.8	57.4

The overall growth of the overseas business, 1949 to 1951, compares poorly with the growth of domestic air transportation for the same period.

C. R. Smith