



AMERICAN AIRLINES INC.

CABLE ADDRESS AMAIR

100 EAST 42nd STREET · NEW YORK 17, NEW YORK · MURRAY HILL 5-3900

August 31, 1948

To: The Directors

In connection with the matter of air passenger fares, one of our Directors has written to me:

"From the data contained in your long telegram it appears that your judgment regarding extra fares on the DC-6s is the correct one; therefore, I wired you 'Agree your position on fares.'

"If time permitted, a special meeting of the Directors would have been fully warranted. This situation indicates further the need of American Airlines for an Executive Committee, with which you could have consulted on this important matter day to day as it unfolded. American Airlines, as well as other air lines, is in trouble. Whether increased fares would solve your difficulty is certainly problematical. Apparently United and TWA think they would; you do not. The data in your telegram supports you, but in view of the divergence of opinion, it cannot be an open and shut case.

"Your Directors represent several thousand stockholders whose interests are in jeopardy. I believe your hand would be strengthened and the Directors could do a better job of their trusteeship if decisions on such important matters were the result of thorough consideration by a well-informed Executive Committee rather than of Management.

"Practically every large, well-managed company has an Executive Committee. I would like to see American fall in line."

Give this recommendation your consideration. I discussed it with our Director some time ago. I told him I had felt the company needed no Executive Committee when the full Board met once a month; but if the Directors believe we should have an executive Committee, we will have one. I will put this matter on the agenda of the October meeting, for discussion and decision; time is too short to put it on the September agenda, especially since some of our Directors have said that they cannot attend the September meeting.

C. R. Smith