

AMERICAN AIRWAYS, INC.
MUNICIPAL AIRPORT
4848 WEST 63RD STREET
CHICAGO

April 2, 1933.

PLEASE REPLY TO:

Mr. Amon G. Carter,
c/o Fort Worth Star Telegram,
Fort Worth, Texas.

Dear Amon:

Thanks for your recent letter. Expect to have complete architectural data and some bids, particularly on structural steel, in for the hangar within the next few days. You can rest assured that this matter is going ahead as rapidly as possible.

Now in regard to the provisions of the Kelly Bill, about which you asked. I am sorry I cannot forward you a copy of the bill itself but will have one sent to you shortly from Washington. It's number is H.R. 14605. The principal provisions are as follows:

No. 1: That the rate of postage on air mail letters shall be 5¢ for each $\frac{1}{2}$ ounce or fraction thereof, and the Post Office is authorized to furnish air mail postal cards at 2¢ each.

The present rates are 8¢ for the first ounce and 13¢ for each ounce thereafter, and, of course, there is no air mail postal card now.

No. 2: The bill provides that the Post Office shall pay a fixed rate of 2 mills per pound mile, provided that the average compensation paid any operator under such rates for any route shall not exceed 50¢ per air plane mile and also provided that carrier was in operation on January 1, 1933.

No. 3: Under Section 7 of the bill it goes on to provide that when mail load over any route drops below a trip average of 25 lbs. for any consecutive three month's period of operation then that route shall be cancelled.

No. 4: Under Section 11 of the bill it states "The Postmaster General shall place all air mail on planes scheduled to fly the most direct route between any two points."

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Taking the above numbers up in order, we believe that a much greater poundage of air mail will result from lowered postage rates and, with the addition of the new post card stamp, and that this increase in poundage should be beneficial to all lines. We favor 5¢ for the first ounce and 4¢ for each ounce thereafter.

The provisions under No. 2, if carried out without any further additions or amendments would so seriously affect our revenues that it is doubtful whether we could justify the continuance of many of our lines on passenger and express revenue alone.

Under No. 3 we believe this will work to the detriment of the smaller communities who are really more entitled to air mail service than many of the larger communities because of the lack of high speed and frequent ground transportation. It would also work to the detriment of our system, in that it might take off certain parts of our lines that go to make up a long line where much local mail is carried in the aggregate but might possibly show during one particular period or another that the average poundage did drop below 25 lbs. per trip.

No. 4 would seriously effect our contemplated New York-Chicago service, which will start on April 21, and provide the highest speed service between New York and Chicago via Detroit and Buffalo. Due to the fact that this route is 37 miles longer than United's route via Cleveland to Chicago this would place all of the New York-Chicago mail on our competitor's line, giving Cleveland air mail service and leaving out Detroit and Buffalo, whose population is, of course, much greater, and whose business origination from other types of traffic is much greater.

Under the provisions of the foregoing, it would appear that United and T.W.A. instead of receiving approximately 50% of the former \$19,000,000 total mail pay will receive approximately 80% of the present \$15,000,000 appropriation.

In all due respect to both of these competitors, it would seem that if this bill goes through and becomes law, the South will have no air mail service worthy of the name. It would confiscate the property of our 27,000 stockholders from all parts of the country. It would eliminate pay rolls of \$3,000,000 annually, of which over \$700,000 fall in your State. It would stop the purchase of huge quantities of gasoline, steel, tires, cloth, air planes and motors, parts and accessories, and hundreds of other expendible materials, to say nothing of throwing 1500 people out of employment.

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Right at this juncture, I believe you will agree with me that it would be a very unwise move for this Company to actually let contracts to build this Fort Worth hangar until this matter is settled one way or the other.

✓ We are informed that Mr. Kelly had the collaboration and assistance in drafting this bill of Mr. Brattain, of T.W.A., and Mr. Paul Henderson, of United. Mr. Mead has stated that all of the companies had been heard and given an opportunity to express their ideas on this bill. As far as we are concerned, we have not yet been heard.

A certain Dr. Crane, a former Assistant Professor of Harvard University, was employed to go over the various air lines last summer and fall and report to the Mead Committee his findings concerning the air mail set-up in general. Dr. Crane, in making his report to the Mead Committee regarding the study undertaken by him in July 1932, among other things, made some very derogatory, erroneous and apparently inspired statements concerning American Airways System. He attacked its accounting methods, stating that it had reported \$900,000 more operating expense to the Post Office than it reported to the AVC. While as you realize, this, of course, happened long before our entry into the picture, I have made a careful study of the situation and find that Crane evidently got a hold of some individual operating division figures (of which there were five), added up their total operating expense and arrived at his figure without any regard or consideration for the fact that all of these divisions received the service of the combined American Airways Engineering Organization, Treasurer's Department, Communications Department, Legal Department, etc., which are maintained in New York for the benefit of all divisions, and that naturally this cost was pro-rated back to the various divisions in the proportion that their total mileage flown bore to the total mileage of the Company, and that inasmuch as easily 75% of AVC's administration expense and time were taken up in actually handling the affairs of its largest single investment, namely, A.A., an arbitrary figure of 60% of AVC's overhead was rightfully charged to A.A. expense. These total items do make up approximately \$922,000, the amount Dr. Crane mentions. At the proper time and place, I believe an opportunity will be afforded to present sufficient data to justify the Company's position in the eyes of all concerned.

From the very day of our entry into the air transportation picture - in early 1927 - we have consistently fought for a more efficient and economical operation of the transportation systems. All of our developments have been along these lines and what we have contributed to the industry, if anything, has been the result of mechanical and technical experience along operating lines and to get a better job done for less money.

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In order to be consistent with our policy of economy, which you know we have continuously fought for and which was the primary cause of the fight with the AVC crowd, we could not help but ask for anything but a square deal so far as the mail appropriation is concerned because we believe that by this just and proper distribution the Government and the public will be better served and a monopoly will be prevented. You know, of course, that the Government always wants more than one source of supply. So far as A.A. is concerned we have always, since our assuming control, been able to reduce total operating expenses by an amount which is now running at the rate of \$600,000 a year and it is, of course, our desire to get this business on a basis that is self-sustaining, as it is our thought that any business is a precarious one that has only one customer. The public has always had to pay the bill for development of any business and we feel this will be no exception.

V We feel very strongly that no emergency exists for forcing this piece of legislation through at this time. The Post Office Department has an appropriation of \$15,000,000, and if this money is properly and equitably divided among the operators the Government and the public will be well served. The present Post Office Administration, we are sure, will administer this appropriation carefully and equitably, with all due regards to the rights of those who have pioneered and done the job in the past, but we feel that under the terrific pressure of necessitous administration legislation, patronage matters and getting the feel of the whole general picture that they have not had time to study air mail matters and become thoroughly familiarized with them to the point where they have a definite program. Therefore it would be natural for them to rely on Wadsworth, who at all times has been extremely friendly to the United and T.W.A. and just as unfriendly to us and two or three other operators, for their advice in the early stages. We have been mindful of this press of business on the part of the Post Office and hope that because we have not camped on the door step continually and have not been running around Washington doing the amount of knocking that this other crowd have that this will not revert to our detriment when the new Post Office Administration really takes hold of this matter. We would like to see this bill put over until next year. In the interim the Post Office Department will have an opportunity to study the entire situation, including revisions of schedules and changes in routes, which would make for a more equitable distribution of the appropriation, consideration of the particular place air mail has as a medium of national defense, and give them time to make up their own minds as to whether they want any new legislation or not and if so what kind. As far as we are concerned, we would be perfectly willing to go along with any program that was in the interest of economy, but feel it would be grossly unfair for them to ask us to go along on a program that would throw the air mail headlong into

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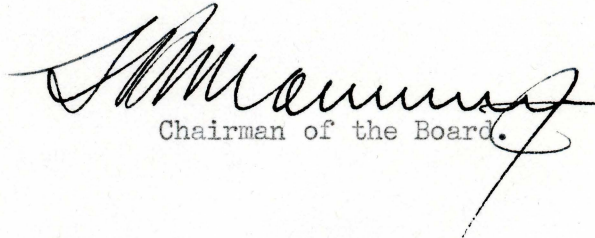
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a monopoly by two companies which would destroy the assets of all others and entirely remove competition from the field.

I am still planning that trip to the coast if I can ever get away from the many pressing details here, and when I come through Fort Worth I expect you to meet me with a brand new size $7\frac{1}{4}$ ten-gallon hat.

Kindest regards,

Very sincerely yours,


Chairman of the Board.

EGT

C. Air Mail Service in the Southwest

Certain extensions granted since the Watres Act are not the only weak spots in the air mail system. Portions of particular air mail contract routes authorized long before 1930 are characterized by insignificant mail loads and negligible traffic. No survey of these, however, will be presented.

Instead, brief attention will be devoted to the volume of air mail service in the southwest. The most striking feature of the situation there is the fact that Dallas and Los Angeles are connected by two air trunk lines, Transcontinental and Western Air and American Airways. In view of the sparsely settled country west of Dallas two major lines connecting the two points seem hardly justifiable. The Post Office is paying slightly under \$1,000,000 a year for service between Dallas and Los Angeles over Route 33. By discontinuing service on Route 33 between Dallas and Los Angeles, routing westbound traffic out of Dallas by way of Amarillo and then on over Transcontinental and Western Air, the Post Office Department could reduce expenditures by over \$900,000, with very slight reduction in air mail receipts. Discontinuance of service as suggested would deprive only six towns of air mail service, towns whose combined population is only 135,000. If for political or other reasons, service were considered essential from Douglas, Arizona to Los Angeles, such service could be kept at a cost of approximately \$114,000 a year. This latter plan would save the government approximately \$786,000 a year and deprive only two Texas towns with a total population of 37,000 of air mail service.

Although economic considerations alone point conclusively to the fact that the present volume of air mail service in the southwest is excessive, there may be very important military factors which would counteract such conclusions, and make a continuation of present services desirable.