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SUPPLEMENTAL AIR TRANSPORTATION

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HEARINGS
BEFORE THE
AVIATION SUBCOMMITTEE
OF THE
COMMITTEE ON COMMERCE
UNITED STATES SENATE
NINETIETH CONGRESS
SECOND SESSION
ON
S. 3566

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TO AMEND THE FEDERAL AVIATION ACT OF 1958, WITH
RESPECT TO THE DEFINITION OF "SUPPLEMENTAL AIR
TRANSPORTATION," AND FOR OTHER PURPOSES

JUNE 12 AND 13, 1968

Serial No. 90-68

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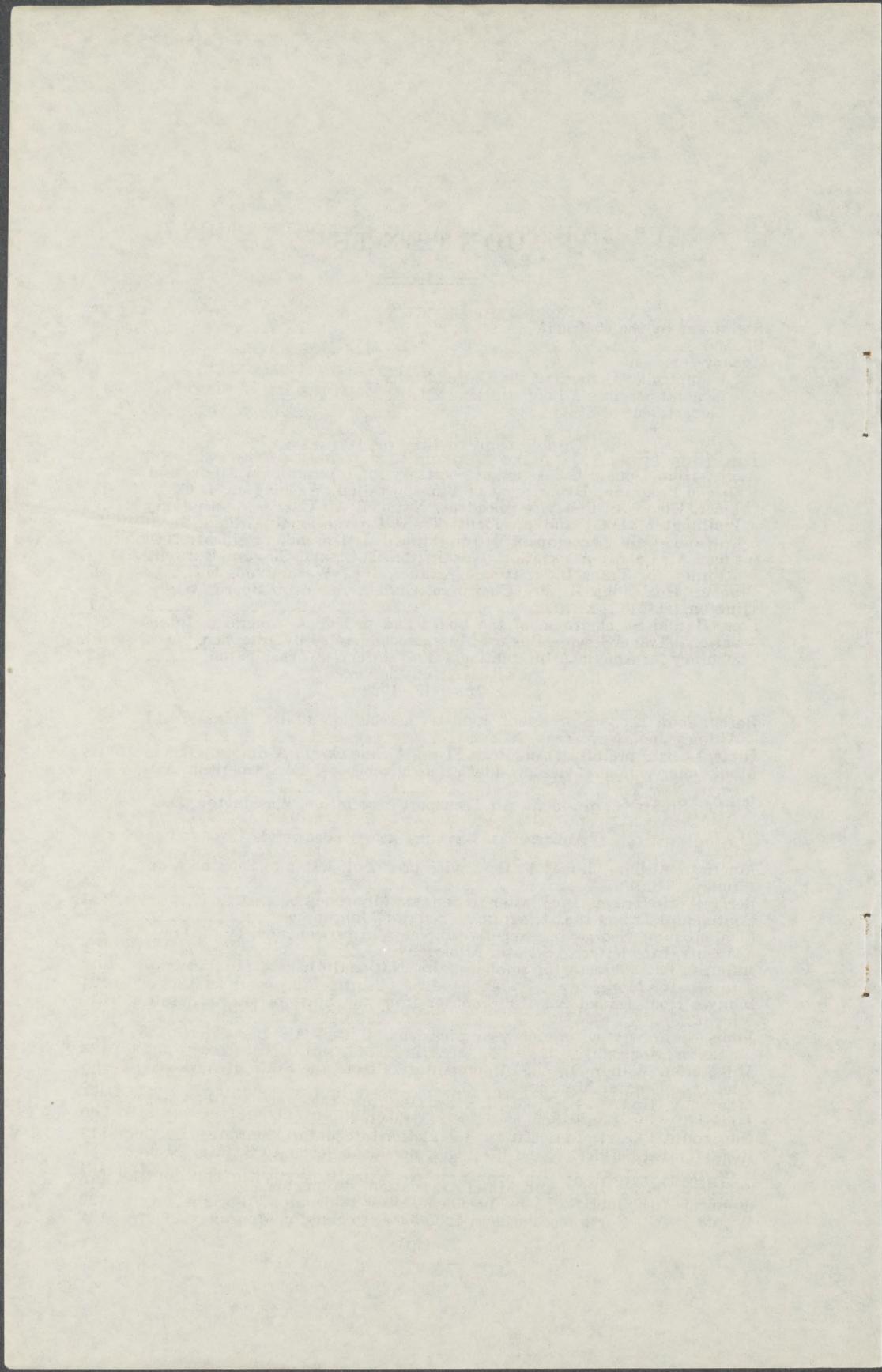
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SUPPLEMENTAL AIR TRANSPORTATION

WEDNESDAY, JUNE 12, 1968

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee met at 10 a.m. in room 6202, New Senate Office Building, Hon. A. S. Mike Monroney, chairman of the subcommittee, presiding.

Present: Senators Monroney, Hart, and Pearson.

Senator PEARSON. Ladies and gentlemen, let's get started. I understand Senator Monroney is running a little late, and Mr. Crooker, Chairman of the CAB, is here and he has a pretty tight schedule this morning, so I am going to ask that we proceed and ask Mr. Crooker, if he will come forward.

STATEMENT OF HON. JOHN H. CROOKER, JR., CHAIRMAN, CIVIL AERONAUTICS BOARD

Mr. CROOKER. Senator, I appreciate this opportunity to appear before you today. I am here to express the Board's support of the objectives of S. 3566, which would remove any doubts about the Board's authority to permit supplemental air carriers to conduct inclusive tour charters.

We have a prepared statement which we would like to leave with the committee. If I may take a moment to summarize some of the salient points, with your permission, I will make no effort to read the entire statement.

Senator PEARSON. The entire statement will be put in the record in its entirety, and we would appreciate if you would just summarize.

Mr. CROOKER. First, as to the present state of the law; as you know, the Board believed it had authority to authorize inclusive tours. The Court of Appeals for the District of Columbia agreed with the Board in a case involving domestic operations holding that we have this authority.

The second circuit court, on the other hand, disagreed in a case involving international operations. The first case didn't go to the Supreme Court. Certiorari was granted in the second case in order that the conflict might be resolved and when the matter came to the Supreme Court, Mr. Justice Marshall took no part in the decision and the Supreme Court split 4 to 4 in the second case.

In our judgment this was not necessarily resolving the conflict between the decisions of the two circuit courts.

The Board believes that this confusion and uncertainty should be resolved promptly and it is pursuing its legal remedies in an effort to obtain a final decision one way or the other. However, this will take some time even if a decision favorable to the Board is obtained, and we think under these circumstances, it would be most desirable for the Congress promptly to confirm what the Board has understood to be the congressional intent with respect to inclusive tour charters.

Senator PEARSON. Do you have litigation pending now?

Mr. CROOKER. Yes. There is still a third case pending in the second circuit. If the second circuit reaches a conclusion in that matter, of course certiorari will be sought.

It is hoped that if some other case goes to the Supreme Court, Mr. Justice Marshall would not find himself in the position in which he found himself in the case recently decided.

Senator PEARSON. Are the issues identical, but the parties different?

Mr. CROOKER. The parties are different.

The three cases, so far as we know, the one that didn't go to the court, the one recently decided by the court, and the one now in the second circuit, are identical except that some involved domestic operations and some international, but so far as we read the law, there could not be any differentiation on the ground that one was domestic and the other international. So, if the third matter went to the court and there was 5-to-4 decision either way, presumably that would resolve the conflict so far as the Supreme Court is concerned.

Senator PEARSON. When do you expect a decision out of the second circuit?

Mr. CROOKER. Senator Pearson, that is quite difficult. We don't know whether the other parties—the carriers—now want prompt action or not. We would hope that however the second circuit acted, they would act promptly, and we could seek to bring the matter to the Supreme Court next winter.

Without belaboring the point of the mechanics of an inclusive tour or the volume of inclusive tour business, I will merely say that the Board has deemed, as we set out on page 7 of this statement, that these tours have been of great public benefit to the traveling public. Travel base has been broadened, and a great many persons in lower income groups have traveled, who in our judgment would not have utilized the services of the scheduled carriers.

Additional benefit to the public has been the competitive incentive which the availability of inclusive tour charters has provided to the scheduled air carriers.

In our judgement, the diversionary impact has been minimal, as we set out on page 8 of this statement. For example, the inclusive tour business to Hawaii last year was about 25,000 passengers. This year it is expected to be about 136,000 passengers but at the same time scheduled air carriers had 1,700,000 passengers last year, and presumably will have about 2 million passengers this year, so the scheduled carrier operations are growing at the same time these operations are growing.

We do have some thoughts about some technical provisions in the proposed bill, and the wording of those provisions. If I am permitted to leave shortly, the General Counsel of the Civil Aeronautics Board is here, and could address himself to those detailed provisions if there is any desire to explore these matters.

Senator PEARSON. Are they more or less technical changes or are they substantive in nature?

Mr. CROOKER. I would hate to say that they are only technical. There may be some substance implications here. I am not sure—

Senator PEARSON. Well, let's let staff get together on this thing.

Mr. CROOKER. Yes, sir. I don't think there is any significant change, Senator, in the objectives.

Two points are not touched on here, which I will refer to briefly: Some question has existed about whether the position of the Board is the same as the position of the supplementals in this matter.

Essentially it is, in that we believe we should have the authority to approve these inclusive tours. The only place where it might be different is that we would definitely like a resolution of the uncertainty that exists. If, in the wisdom of the Congress, we are not going to have this authority, we would like some certainty on that point.

Whereas I suppose as a second line of defense, the supplementals would rather have uncertainty as a second choice, rather than resolution of the issue against them.

Except for that, I know of no differences—substantial differences—in the two positions.

I had occasion recently to go back over the records of the CAB for the past 30 years because the Board is, and its predecessor CAA, will be 30 years old this month. I find that when the coach fares were first introduced, there was some little objection about the fare cutting aspects and it was thought this was going to be terribly bad for the industry.

Actually, from the 12 or 14 percent of the total traffic in the first year that coach fares were available that was in the coach seats, as distinguished from what was then called standard class seats (now called first-class seats), the very large majority of air travelers now go in the coach compartment. I think that the extent of air travel is definitely tied to reduced rates for air transportation, and we feel that the operations of the supplementals generally, especially in this inclusive tour charter area, provide to some segments of the public the opportunity to travel at reduced rates.

I am grateful for the opportunity to be here. As you are aware, we are engaged in oral argument in what is probably the largest case that has ever come before the Board, and I am deeply appreciative of the committee making it possible for us to appear at this particular time.

Senator PEARSON. We are glad to do so.

Before I let you go, I want to ask our counsel if he has any questions.

Mr. BURZIO. Yes, I have one question.

An issue has been raised, Mr. Chairman, about the specific language of S. 3566 that limits the marketing of these charters to our operators.

I would like your opinion whether or not that language limits the power which you believe the Board otherwise would have in defining the scope and extent of inclusive tour charters?

Mr. CROOKER. So far as the technical wording of the proposed legislation is concerned, I feel our general counsel has spent much more time on this than I have. I will say that so far as the policy matter is concerned, I apprehend that the present Board would prefer to

leave the charter or the tour operator in the position of putting these inclusive tours together rather than going the route of letting the supplemental carrier itself handle the operations of the tour and serve as a tour operator. I think that might be bringing the supplementals much closer to the functions carried out now by your scheduled carriers.

Mr. BURZIO. I raise this because this is an area where a substantive issue is involved.

Mr. CROOKER. The position of the Board members, as they now exist, as nearly as I can tell, is that there is still a very definite function to be carried out by your tour operators rather than leaving to the supplementals the matter of putting the tours together themselves.

Mr. BURZIO. Thank you.

Senator PEARSON. Mr. Chairman, we thank you for your testimony here today. As I indicated, your statement will be included in the record in its entirety.

I should like to have the suggestions that you were going to make made known to all the interested parties here. I assume our counsel will do that if anybody wants to get together with him and find out what the suggestions are.

Are they included in the statement?

Mr. CROOKER. Yes, they are. There are two or three pages of comments and actual deletions and insertions shown in an appendix.

Senator PEARSON. All right.

I thank you very much.

Also there is a statement here by the chairman of this subcommittee, Senator Monroney and I will ask that that be included in the record at the proper place at the start of the hearings today.

(Statement of Senator Monroney, S. 3566, and statement of John H. Crooker follows:)

STATEMENT OF HON. A. S. MIKE MONRONEY, U.S. SENATOR FROM THE
STATE OF OKLAHOMA

The Senate Aviation Subcommittee begins hearings this morning on S. 3566, a bill which I introduced on May 29 for myself and Senator Magnuson. The bill would amend the Federal Aviation Act of 1958 with respect to the definition of "supplemental air transportation."

At this point in the record there will be included a copy of S. 3566, together with the remarks I made at the time of introduction.

The introduction of S. 3566 was prompted by the split decision of the Supreme Court on May 28 which left standing a Court of Appeals decision striking down the authority of supplemental air carriers to conduct international inclusive tour charter trips. This authority had previously been granted to supplemental air carriers by the Civil Aeronautics Board and had been approved by the President of the United States.

The rights of supplemental air carriers have been clouded for years by litigation. In 1962 the Congress enacted Public Law 87-528 to grant statutory authority for certificates of public convenience and necessity to supplementals to engage in certain types of air transportation. The litigation that has surrounded this public law since its enactment has again clouded the authority of the supplemental air carriers.

The most recent litigation has centered on the intent of Congress in regard to Public Law 87-528. In order to resolve all doubts, Congress has an obligation to act and make its intent clear.

S. 3566—INTRODUCTION OF BILL TO AMEND THE FEDERAL AVIATION ACT OF 1958—
NOTICE OF HEARINGS

Mr. President, yesterday the Supreme Court, equally divided, 4 to 4, with Justice Marshall taking no part, affirmed the decision of the Second Circuit Court of Appeals which struck down the inclusive tour authority of supplemental airlines granted by the Civil Aeronautics Board for international operations which had been approved by the President of the United States. The issue centered on the intent of Congress when it passed Public Law 87-528.

To clarify Congress' intent, I introduce, for appropriate reference, a bill to, first, authorize the Civil Aeronautics Board to grant to supplemental air carriers inclusive tour charter authority; second to the inclusive tour charter trips to insure that they would not involve individually ticketed service; and third, validate and ratify the existing certificates of public convenience and necessity for inclusive tour charters and authorizations issued by the Board, notwithstanding any contrary determination by any court.

Mr. President, in 1962 there were over 30 irregular carriers—some that were flagrant violators of Civil Aeronautics Board rules and regulations, some that were not financially fit, and some that had questionable operating practices and abilities. The legislation enacted by the Congress, Public Law 87-528, was necessarily designed to be somewhat restrictive and to insure that the Civil Aeronautics Board had the authority to certificate only those carriers which met the highest fitness standards and which the Board considered were essential to the public convenience and necessity.

In 1962 the financial status of the supplemental industry was not good. In fact, there were those who thought there was no need for a group of charter specialists. However, there were others who believed that the public convenience and necessity and the defense needs required at least some of the carriers currently operating to be designated as charter specialists.

Whereas in 1962 these carriers, to a large degree, were almost totally dependent on military business, the supplemental carriers have now developed substantial commercial business of which the inclusive tour charter is an ever-increasing part of the commercial operation. For example, during the period 1962 through 1967 total revenues of the supplemental carriers increased 174 percent whereas commercial revenues increased 474 percent. The development of commercial markets clearly shows the need for charter-type operations.

Since the grant of inclusive tour authority by the Civil Aeronautics Board, the charter market has been considerably expanded. In 1967 over 51,000 passengers traveled on mainland to Hawaii inclusive tour charters, and conservative estimates indicate that the total will exceed 140,000 passengers in 1968. In the same period no impact on scheduled services has been evident as passenger traffic on the scheduled airlines in this market has grown from 1,090,000 passengers in 1966 to 1,722,000 in 1967. It is estimated that the total will reach 2,066,000 passengers in 1968.

The supplemental carriers today operate the most modern jet equipment. This equipment is not only available for the commercial charter market, but is committed to the Department of Defense for not only peacetime operations but, more importantly, for emergency airlift operations. The supplemental carriers provide to the Department of Defense, in the event of an emergency, a very substantial part of the expanded capability needed to deploy troops and cargo into troubled areas.

Although the supplemental carriers have increased their reliance on commercial versus military business, there is still substantial reliance on the military. The overall industry average shows that, of the total supplemental business, 60 percent of the revenues are derived from military sources. This, however, is a marked improvement over the 90 percent reliance in 1962. It is therefore important that the supplemental carriers have the necessary authority to continue to expand and promote their commercial activities, especially in view of the phase-down in defense requirements as a result of curtailment in Vietnam and other related operations.

Inclusive tour charters have become an essential part of the U.S. air transportation system. Without them, many of our citizens, in the lower income groups, cannot afford to travel to vacation spots which aid in the overall economic development of the United States. In addition, inclusive tour charters are currently aiding the balance of payments by transporting large numbers of vacationers within the Western Hemisphere, and it is projected that the inclusive tour

program will aid in bringing many additional visitors to the United States from Europe and other foreign points. An inclusive tour program based on European originating traffic on a back-to-back basis could in 1 year transport up to 150,000 additional passengers to the United States, which would add to the positive side of our balance of payments.

Inclusive tours have already demonstrated that they are reaching an entirely new market. They are not only broadening the basis of air travel for charters, but are also developing the base of scheduled airlines. Recent demand for these charters has exceeded supply, and many potential passengers have been moved by the tour operator or travel agent on scheduled service.

The supplemental carriers, created by the Congress of these United States, should be granted the authority that is necessary to their well-being and essential to our transportation needs and the needs of our national defense. The inclusive tour authority is a system of transport that will enable the 50 to 60 percent of our American citizens who have never taken an airplane trip to partake of this seemingly commonplace mode of travel because of the reduced rates that the supplemental carriers through this authority are able to offer to the public.

Mr. President, the Congress should consider this legislation immediately. Congress should make clear it intended the Civil Aeronautics Board to have the authority to authorize the supplemental carriers to perform inclusive tour trips. The supplementals have pioneered and proved the concept of inclusive tour charters and Congress has an obligation to resolve the issue in their favor this year. Therefore, I am announcing today that hearings will be held on this bill by the Senate Aviation Subcommittee beginning June 12.

[S. 3566, 90th Cong., second sess.]

A BILL To amend the Federal Aviation Act of 1958 with respect to the definition of "supplemental air transportation", and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (33) of subsection (a) of section 101 of the Federal Aviation Act of 1958 is amended to read as follows:

"(33) 'Supplemental air transportation' means charter trips, including inclusive tour charter trips, in interstate, overseas, and foreign air transportation, other than the transportation of mail by aircraft, rendered pursuant of a certificate of public convenience and necessity issued pursuant to section 401(d) (3) of this Act and subject to regulations prescribed by the Board; and 'inclusive tour charter' trip means the charter of an aircraft or portion thereof by a tour operator for the carriage by a supplemental air carrier of passengers in interstate, overseas, and foreign air transportation on a ground trip tour which is to one or more points and combines air transportation and land services."

Sec. 2. Certificates of public convenience and necessity for supplemental air transportation and statements of authorization, issued by the Civil Aeronautics Board, which are in effect on the date of enactment of this Act, are, notwithstanding any contrary determination by any court, hereby validated, ratified, and continued in effect according to the terms, insofar as such certificates or statements authorize the performance of inclusive tour charter trips in interstate, overseas, and foreign air transportation.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., June 11, 1968.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: Reference is made to your letter of June 3, 1968, requesting our comments on S. 3566, which would amend paragraph (33) of section 101 of the Federal Aviation Act of 1958, 76 Stat. 143 (49 U.S.C. 1301(33)) with respect to the definition of "supplemental air transportation," and for other purposes. Since you have scheduled hearings on the bill as of June 12 and 13, you ask for our comments prior to such dates.

Section 101 of the Federal Aviation Act of 1958, among other definitions of terms used in the Act states in paragraph (10) that:

"'Air Transportation' means interstate, overseas, or foreign air transportation or the transportation of mail by aircraft."

Paragraph (32) states that:

"Supplemental air carrier means an air carrier holding a certificate of public convenience and necessity authorizing it to engage in supplemental air transportation."

Paragraph (33) of section 101 states that "supplemental air transportation" means charter trips in air transportation, other than transportation of mail by aircraft, rendered pursuant to a certificate of public convenience and necessity issued by the Civil Aeronautics Board.

The question as to whether the Board has authority under 49 U.S.C. 1301(33) to authorize supplemental air carriers to operate so-called "inclusive tour charters," has been answered by the courts in different ways. Under such operations, the supplemental air carrier charters a plane to a "tour operator" or travel agent who in turn sells individually for a single price round trip accommodations in the chartered plane plus varying combinations of accommodations in hotels, meals, land transportation between the air terminals, etc.

In *American Airlines, Inc. v. Civil Aeronautics Board*, 365 F. 2d 939 (1966), the United States Court of Appeals for the District of Columbia Circuit, in a case involving operations of a supplemental air carrier in domestic traffic, held that the Board had authority to authorize supplemental air carriers to handle inclusive tour charters. This decision was based on the court's interpretation of the Congressional intent in enacting 49 U.S.C. 1301(33).

In *Pan American World Airways, Inc. v. Civil Aeronautics Board*, 380 F. 2d 770 (1967), the United States Court of Appeals for the Second Circuit in a case involving whether the Board had authority to authorize supplemental air carriers to handle inclusive tour charters in international overseas transportation, based on its analysis of the same Congressional intent, although there is nothing in the legislative hearings or statements referred to by the Court under which a distinction could be made between domestic and international overseas inclusive charter tours, held the Board did not have such authority. It seems obvious that the two Courts arrived at opposite conclusions as to what was the Congressional intent. In *Civil Aeronautics Board v. Pan American World Airways, Inc.*, No. 946, May 27, 1968, in a *Per Curiam* Opinion, the Supreme Court of the United States affirmed by an equally divided Court the judgment of the United States Court of Appeals for the Second Circuit.

S. 3566 would amend 49 U.S.C. 1301(33) to authorize the Civil Aeronautics Board to grant to supplemental air carriers inclusive tour charter authority; define inclusive tour charter trip to include charter to a tour operator of an aircraft or portion thereof in interstate, overseas, and foreign air transportation; and validate and ratify existing certifications of public convenience and necessity for inclusive tour charters and authorizations issued by the Board, notwithstanding any contrary determinations by any court.

While we see nothing in the Court discussions of the legislative intent in enacting 49 U.S.C. 1301(33) which would warrant any such distinction, there may be sound reasons for permitting inclusive tour charters in the domestic operations of supplemental air carriers which do not obtain as to their overseas and foreign operations. We have no information on such point which would be of use to your Committee and we feel that the legislation to date left such matter to the sound discretion of the Board. If that was the intent of the Congress, the enactment of S. 3566, which would not directly effect the functions and operations of our Office, would appear to be consistent with such intent and we have no objection to favorable consideration by your Committee of S. 3566.

It may be that to insure that supplemental air carriers would not themselves issue individual package tour tickets, your Committee would wish to give consideration to including in the bill a provision prohibiting a supplemental air carrier from acting as a tour operator.

Sincerely yours,

FRANK H. WEITZEL,

Assistant Comptroller General of the United States.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 11, 1968.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of June 3, 1968, requested any comments the General Services Administration may care to offer concerning S. 3566, 90th Congress, a bill "To amend the Federal Aviation Act of 1958 with respect to the definition of 'supplemental air transportation', and for other purposes."

Section 1 of the bill would amend paragraph (33) of subsection (a) of section 101 of the Federal Aviation Act of 1958, 72 Stat. 737, as amended, to provide a new definition to the term "supplemental air transportation" which would include tour charter trips. Section 2 would validate, ratify and continue in effect certificates of public convenience and necessity for supplemental air transportation and statements of authority issued by the Civil Aeronautics Board, which are in effect on the date of enactment, notwithstanding any contrary determination by any court, insofar as such certificates or statements authorize the performance of inclusive tour charter trips in interstate, overseas and foreign air transportation.

The bill does not affect any functions or responsibilities of the General Services Administration. Accordingly, we have no comments to offer concerning its merits.

The Bureau of the Budget has advised that, from the standpoint of the Administration's program, there is no objection to the submission of this report to your Committee.

Sincerely yours,

LAWSON B. KNOTT, Jr.,
Administrator.

DEPARTMENT OF STATE,
Washington, D.C., June 13, 1968.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your letter of June 3, 1968, requesting the Department's comments on S. 3566, a bill to amend the Federal Aviation Act of 1958 with respect to the definition of "supplemental air transportation," and for other purposes.

From a foreign relations standpoint, the Department of State has no objection to the proposed legislation. The Department notes that one consideration which might hamper the development of an extensive international inclusive tour program by the supplemental airlines is the reluctance which many foreign countries, particularly in Europe, have shown toward such charter services. Their reluctance has been based on concern that this charter activity will divert traffic from their scheduled international air carriers.

The Bureau of the Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this report.

Sincerely yours,

H. G. TORBERT, Jr.,
Acting Assistant Secretary for Congressional Relations.

STATEMENT OF JOHN H. CROOKER, JR., CHAIRMAN OF THE CIVIL AERONAUTICS BOARD

I appreciate this opportunity to appear before you today. I am here to express the Board's support of the objectives of S. 3566, which would remove any doubts about the Board's authority to permit supplemental air carriers to conduct inclusive tour charters.

A. UNCERTAINTY AS TO PRESENT STATE OF THE LAW

As you know, the Board believed that it had authority to authorize inclusive tours. The Court of Appeals for the District of Columbia agreed with the Board in a case involving domestic operations, holding that such tours were charter-worthy. The Second Circuit, on the other hand, disagreed in a case involving international operations. It considered such tours to constitute an individually

ticketed type of transportation not falling within the charter concept. The Supreme Court affirmed the Second Circuit in a 4-to-4 decision. The Supreme Court's action, however, based on equal division without opinion, does not resolve the conflict between the two Circuits. The result is that the planning of inclusive tour charters is being seriously handicapped pending a final resolution of the conflict.

The Board believes that this confusion and uncertainty should be resolved as promptly as possible, and it is pursuing its legal remedies in an effort to obtain a final decision—one way or the other. However, this will take some time—even if a decision favorable to the Board is obtained. We think that under these circumstances it would be highly desirable for the Congress promptly to confirm what the Board has understood to be the Congressional intent with respect to inclusive tour charters.

The Board thought that it had authority to permit the supplementals to conduct inclusive tours both because of the language of the supplemental air carrier legislation and its legislative history. Although the legislation did not define the term "charter trips" as used therein, inclusive tour charters had been held by the Supreme Court as falling within charter services in the surface transportation field. Furthermore, the supplemental bill passed by the Senate specifically included "all expense tours" within the definition of charter service. The Board understood that this express reference to tours was omitted from the final Act because, in the language of the House Report, it was believed preferable to leave the Board free to evolve its own definitions of appropriate charter service. As the D.C. Circuit said, the term "charter" denotes group travel, and Congress left the Board free to apply any reasonable definition of charter which did not depart from the group travel concept.

B. PAST AWARDS OF INCLUSIVE TOUR AUTHORITY

Since it believed that inclusive tour charters fell well within the letter and intent of the statute, the Board determined to authorize the supplementals to conduct them. The reasons for the authorization were that such tours (1) would meet a substantial public need for low-cost pleasure air travel, (2) would provide an additional source of revenue to strengthen the supplemental air carriers, and (3) would not have any real adverse effect on the certificated route carriers. The Board found that its action was in accord with the purposes for which the Federal Aviation Act was amended in 1962 to permit the issuance of certificates of public convenience and necessity to the supplemental carriers. The basic purposes of the amendments were to establish a stable and viable role for the supplemental carriers in the air transportation system, and to provide the Board with appropriate authority to bring such carriers within the regulatory scheme of the Act. Congress intended to strengthen the economic position of the supplemental carriers because of the public importance of their civilian and military operations and because of the relationship between economic stability and air safety.

In making these awards, the Board considered many factors of national importance, including the benefits to the public, and the importance of strengthening the economic position of the carriers in order to enable them to maintain and increase their already recognized value as a national defense asset. On the other hand, the Board also considered the effect such authorizations might have on the regular route carriers. It concluded, however, that with proper regulations, which it established, there would be no adverse effects upon the regular route carriers since the inclusive tours would truly provide a new and supplemental service.

C. THE MECHANICS OF AN INCLUSIVE TOUR

I would like to first explain just what an "inclusive tour" is under the Board's regulations, and to point out the steps taken to insure that these tours will permit only group vacation travel. The inclusive tour charter principle allows a tour operator or travel agent to charter an aircraft from a supplemental air carrier. The carrier does nothing more than perform the air transportation for the charterer. The charterer puts together a package of air and surface transportation, ground accommodations, perhaps some sight-seeing side trips, all over a fixed itinerary, which he sells to members of the public. The Board refers to this as an "inclusive tour." Sometimes such tours have been referred to as "all expense" trips. Under Board regulations, the tour price paid by members of the

public cannot be less than 110 percent of the lowest available individual fare offered by a scheduled carrier for transportation over the same route. The price of the tour must include at least all hotel accommodations and air and surface transportation between all places on the itinerary. Each tour must be performed on a round-trip basis, last at least seven days, and have a minimum of three overnight stops at least 50 miles apart. Such a tour may be operated only by a regulated tour operator, pursuant to prior approval by the Board of the tour prospectus. Prior to approval of a prospectus, scheduled carriers serving the points involved in the tour must be given notice of the tour operator's application and an opportunity to object. It is only the authority of the Board to permit supplementals to charter aircraft to tour operators for the performance of these inclusive tours that has been embroiled in the conflicting litigation.

D. VOLUME OF INCLUSIVE TOUR BUSINESS

The results of these tours thus far have shown that they are a valuable adjunct to the transportation system in terms of service to the public and a source of revenue to the carriers. During the first full year of operation of the tours, 1967, there were 175 tours, which carried approximately 30,000 persons. The bulk of the tours were from the mainland of the United States to Hawaii, with 7 being operated within the continental United States and 20 to Europe. The Board believes that 1968 will show an increase in the availability and acceptance of inclusive tours. Hawaii would again appear to be the main destination point for most of the tours. As of June 3, the Board had approved about 800 tours to be operated from the mainland to Hawaii. It is estimated that the 25,000 passengers carried on inclusive tours to Hawaii in 1967 will increase to 136,000 in 1968. A few tours also have been approved for Europe, Mexico, and the Caribbean and South America area. The Board believes that in 1968 a much greater percentage of the civil charter revenues of the supplementals will be derived from inclusive tour charter flights than was the case in 1967.

In this connection, I wish to point out that the limited number of tours to points other than Hawaii reflects in large measure the cloud that has hung over the inclusive tours almost from the beginning because of the court attacks mounted on them by the scheduled carriers.

The lead time in establishing a worthwhile tour program is large. For example, now is the time when the 1969 program must be established by the tour operators. But they are understandably reluctant to expend the necessary funds and energies in arranging and promoting tours, and carriers are reluctant to commit their aircraft to the tour operators' schedules, when the legality of the whole concept is in doubt. For example, only last week a tour operator cancelled 19 tours to Hawaii and Mexico because of substantial uncertainty regarding which, if any, of these tours can be performed due to the recent vote by the United States Supreme Court concerning international inclusive tour charters by supplemental air carriers. Domestic tours have been less troubled since the first court decision on the matter found domestic inclusive tours lawful—this was before the second court decision going just the opposite way as to international inclusive tours. Thus, perhaps the most important determinant of the success of the inclusive tour program will be the resolution of the legal question as to the validity of such tours. Once that is decided favorably and finally, we believe that tremendous growth will follow.

E. INCLUSIVE TOURS ARE IN THE PUBLIC INTEREST

These inclusive tours have been of great benefit to the traveling public. The travel base has been broadened, and a great many persons in the lower income groups have traveled, who would not have utilized the services of the scheduled carriers. An additional benefit to the public has been the competitive incentive which the availability of inclusive tour charters has provided to the scheduled air carriers. As an example, I refer to the group inclusive tour fare of \$230 between New York and London, which the scheduled carriers on the North Atlantic instituted in 1966 shortly after the Board authorized inclusive tours for both domestic and international operations. This fare, by the way, is the lowest fare ever charged for scheduled service in the history of North Atlantic air travel.

F. THERE HAS BEEN MINIMAL DIVERSIONARY IMPACT ON THE SCHEDULED CARRIERS

Despite contentions to the contrary, the Board found that inclusive tour charters would not have an adverse impact on scheduled carriers. The Board's findings were based in large part on the fact that the services to be provided to the public by inclusive tours under Board regulations would be different in significant respects from those provided by scheduled services. In addition to a 10-percent spread between the lowest individually-ticketed fare of a scheduled carrier and the tour price, the charter tour passenger would be subjected to the rigidities of the group itinerary, would have to be willing to travel and share facilities with strangers, and would have to agree to the necessary regimentation entailed in group travel. Moreover, the tour passenger would not have the freedom to select from the multiple daily schedules offered by route carriers, but would be confined to predetermined departure and arrival times selected by the tour operator. Under these circumstances, it was obvious that inclusive tours could not be used as an inducement to substitute travel on them for point-to-point transportation offered by the scheduled carriers.

Experience, even though limited, bears out the soundness of the Board's findings. For example, in 1967, 25,000 passengers traveled to Hawaii on inclusive tours, and 1,700,000 passengers were transported by the scheduled carriers—an increase of 700,000 over 1966. Estimates for 1968 indicate that 136,000 passengers will travel on inclusive tours if all authorized tours are operated and filled, and that 2 million passengers will utilize scheduled services. Thus, the requirements for both inclusive tours and scheduled services would appear to be increasing together, rather than inclusive tours diverting passengers from the scheduled operations. This would appear to be supported by the fact that the Hearing Examiner in the *Transpacific Route Case* has recommended three new certificated services from the mainland to Hawaii. Although I cannot say what the ultimate outcome of this recommendation will be, it seems reasonably clear that the Hawaiian market can support the beneficial competition of both inclusive tour charter service and scheduled services.

We think, in fact, that in all markets, the inclusive tours and the scheduled services can thrive. The scheduled carriers are growing, and are doing well. They have been incurring some revenue dilution of late, principally due to the cost impact of acquiring and absorbing the many costly aircraft which they have ordered to keep pace with traffic growth. But nobody is able to attribute this cost impact to inclusive tour charters. On the contrary, it is the Board's view that each type of carriage stimulates air transportation as a whole—thus benefitting all. We feel that no positive gain to anyone—the supplementals, the scheduled carriers, or the traveling public—will accrue from taking from the supplementals their inclusive tour charter authority. On the contrary, eliminating the inclusive tour charter authority will only serve to deprive the public of service, to take away the competitive spur which these charters have provided to the scheduled carriers, and to take away from the supplementals revenues which will help to sustain them and which is not diverted from the regular route carriers.

G. STATUS OF SUPPLEMENTAL AIR CARRIERS' OPERATIONS

The supplemental carriers have been recognized by the Congress as an integral part of the air transportation system. Their contributions have been significant to both civil and military transportation. They started the "no frill" air coach service domestically. One supplemental (Trans-Caribbean) later became a certificated passenger carrier between New York and San Juan. In the late 1950's, several carriers developed and promoted transatlantic vacation charters for affinity groups. In the earlier years, these carriers also flew numerous charters for the military between domestic bases. The supplementals were able promptly to supply airlift during the Korean War, during the movement of Hungarian refugees, and during the breaking of the Berlin Blockade. Their current national defense importance, with particular regard to their aid to the military in the Viet-Nam airlift, is indicated by last month's award to eight supplemental carriers of some \$68 million in Military Air Command business, which is about 25

percent of the total MAC business awarded. Indeed, their present contribution to the defense effort amply justifies the Congressional purpose in enacting the supplemental legislation to preserve the carriers as a valuable adjunct to the military.

The Congress also recognized in 1962 in legislation a permanent place for the supplementals that they required civilian sources of revenue to sustain them when not engaged in operations for the military. This policy was emphasized in 1966 by a new Defense Department commercial airlift policy. Under that policy, only those carriers receiving at least 30 percent of their air transportation revenues from commercial sources were to be awarded military contracts. One of the reasons for the policy was to preclude excess reliance upon military business alone. This was for the purpose of insuring that the supplementals would maintain the required reserve capacity which could be called upon by the Defense Department in time of need. Thus, if the supplementals were not permitted to enlarge their civilian services, they would be deprived of the principal source of their revenue—military charters. This, in turn, would have deprived them of funds for the purchase of new aircraft to attract civilian passengers. The result would have been that the reserve capacity needed by the military would have been diminished. Under these circumstances, the Board believes that revenues derived from inclusive tours will continue to be an even greater factor in the ability of the supplementals to provide the expanded capability required in time of emergency.

At the present time, the 13 supplemental air carriers have a total investment of \$217 million, and employ approximately 5,000 people. They operate a variety of large aircraft—about 192 in number. Forty-six of these are large jet aircraft, and additional jet aircraft are on order. Despite the fact that their revenues in 1967 were approximately 150 percent greater than those in 1962, they continue to rely heavily on military business. For example, in 1967, revenues derived from military contracts represented more than 60 percent of their total charter revenues. The inclusive tour charter revenues in 1967 amounted to some \$7,000,000, almost 3% of the total. While we expect other types of charters to continue to provide the bulk of the carrier's revenues, it is obvious that inclusive tour business constitutes a source of additional business which will become increasingly important to the carriers upon any falling off of military business.

II. COMMENTS ON THE WORDING OF THE BILL

S. 3566 accomplishes the broad objective of confirming the Board's interpretation of the statute and the various authorizations which it has issued. Certain technical changes would appear to be desirable, however. These are mentioned here as specific suggestions:

(a) The definition of "inclusive tour charter" trip in section 1 of the bill is not required to achieve the stated objectives and we would recommend its exclusion. To the extent that there is an unexpressed desire to legislatively establish or change the definition of an "inclusive tour charter" trip we believe that it would be unwise. Changes in such definition may be required from time to time but in our view they should be left to the informed discretion of the Board, the agent of Congress, as circumstances warrant.

(b) Likewise, the provision in section 1 (which redefines "supplemental air transportation") that certain matters are "subject to regulations prescribed by the Board" is both ambiguous and unnecessary. It is not clear whether the regulations referred to relate to supplemental air transportation or to certificates of public convenience and necessity issued pursuant to section 401(d)(3). The Board already has adequate power to issue regulations in either area. The inclusion of the words "subject to regulations prescribed by the Board" should be omitted since they make no affirmative contribution and may confuse.

(c) Moreover, the present provision of the Act that "supplemental air transportation" is "to supplement the schedule service" of the regular route carriers should be restored to S. 3566. There is nothing in the inclusive tour charter problem which requires its elimination.

(d) Certain technical changes would also appear to be desirable in Section 2 of S. 3566. Section 2 validates certain certificates and statements of authorization permitting the performance of inclusive tour charter trips "which are in effect on the date of enactment of this Act" notwithstanding any contrary determination by any court. The above quoted words should be excluded from section 2 since it is possible that some certificates, which we desire to preserve, may be

invalidated by court action before congress enacts this legislation. However, the only purpose of Section 2 is to preserve certificates and statements of authorization from extinction because a court concluded that the Board lacked power to authorize inclusive tour charters. The language of Section 2 needs to be modified to clearly indicate that the powers of the Board and the courts to change or set aside certificates or statements of authorization for other reasons have not been touched.

All of the foregoing technical changes in S. 3566 (both deletions and additions) are shown in the comparative print which is attached.

As the Committee is undoubtedly aware, H.R. 17685 was introduced in the House on June 5, 1968, by Congressman Moss and others. The most significant difference between that bill and S. 3566 is its apparent intention to authorize the supplementals to market inclusive tours themselves rather than through tour operators. The Board has never made a definitive determination as to its legal authority to permit such activity by supplementals under their authority to engage in "charter trips" in air transportation. Rather, as a matter of policy, the Board concluded that supplementals should not market inclusive tour trips directly to the traveling public, and its regulations specifically prohibit such activity.

We do not now ask for any change in the statute to specifically authorize the Board to permit supplementals to market inclusive tour trips directly to the traveling public. If the Committee should decide that the Board should have this power, then we ask that the legislation clearly indicate that the Board has discretion to determine whether or not to exercise such power just as it has in connection with the authorization of inclusive tour charters.

Our position in this respect is wholly consistent with our present powers under the Act. At the present time there is no absolute prohibition against a supplemental air carrier controlling an indirect air carrier, such as a tour operator. There is, however, a requirement in Section 408 of the Act that such a control relationship be approved by the Board when it is not inconsistent with the public interest. It is apparent, therefore, that the Board might presently permit a supplemental air carrier to market inclusive tour trips through a subsidiary tour operator. The position that I am now urging upon you is that no change be made in the Act which would *require* the Board to permit supplemental air carriers to market inclusive tour trips directly. Proper regulation of this entire area of the air transportation industry may best be accomplished when the Board has discretion to determine what authorizations to make in the light of the circumstances prevailing at any given time and their bearing upon the public interest, as defined in the Act.

In sum, the Board believes that inclusive tour charters have made a material contribution to the ability of the supplementals to meet their national defense requirements; that such charters have been beneficial to the traveling public; and that they have not had an adverse impact on scheduled services. For these reasons, the Board urges that the existing confusion and uncertainty surrounding the validity of inclusive tour charters be removed by legislation.

[S. 3566, 90th Cong., second sess.]

A BILL To amend the Federal Aviation Act of 1958 with respect to the definition of "supplemental air transportation", and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (33) of subsection (a) of section 101 of the Federal Aviation Act of 1958 is amended to read as follows:

"(33) 'Supplemental air transportation' means charter trips, including inclusive tour charter trips, in interstate, overseas, and foreign air transportation, other than the transportation of mail by aircraft, rendered pursuant to a certificate of public convenience and necessity issued pursuant to section 401(d)(3) of this Act and subject to regulations prescribed by the Board; and 'inclusive tour charter trip' means the charter of an aircraft or portion thereof by a tour operator for the carriage by a supplemental air carrier of passengers in interstate, overseas, and foreign air transportation on a round trip tour which is to one or more points and combines air transportation and land services²² to supplement the scheduled service authorized by certificates of public convenience and necessity issued pursuant to sections 401(d) (1) and (2) of this Act."

SEC. 2. Certificates of public convenience and necessity for supplemental air transportation and statements of authorization, issued by the Civil Aeronautics Board, ~~which are in effect on the date of enactment of this Act, are notwithstanding any contrary determination by any court, hereby validated, ratified, and continued in effect according to the their terms, notwithstanding any contrary determination by any court that the Board lacked power to insofar as such certificates or statements authorize the performance of inclusive tour charter trips in interstate, overseas, and foreign air transportation.~~

NOTE.—Italic matter represents the Board's recommended additions to the bill; lined through matter represents the Board's recommended deletions in the bill.

Senator PEARSON. Donald Agger, Assistant Secretary for International Affairs and Special Programs, Department of Transportation.

We are pleased to have you here today, sir, and I would ask you to proceed as you desire.

Mr. AGGER. Thank you.

STATEMENT OF DONALD G. AGGER, ASSISTANT SECRETARY OF TRANSPORTATION FOR INTERNATIONAL AFFAIRS AND SPECIAL PROGRAMS

Mr. AGGER. I am here today to present the views of the Department of Transportation on S. 3566, a bill to amend the definition of "supplemental air transportation" as it appears in section 101 of the Federal Aviation Act of 1958.

This bill would make clear the authority of the Civil Aeronautics Board to authorize certificated supplemental air carriers to charter to tour operators for inclusive tour trips.

The Department supports a clarification of this matter by the Congress so as to leave no question that the Board has authority to authorize supplemental air carriers to operate inclusive tour charter flights.

Public Law 87-528, enacted in July 1962, empowered the Board to award certificates of public convenience and necessity to this class of carrier. A great deal of controversy followed the enactment of this legislation, and the present situation is exceedingly confused. The District of Columbia Circuit Court of Appeals has held that the Board does have authority to authorize supplemental air carriers to engage in inclusive tour charters. The Second Circuit Court of Appeals has held that it does not, at least with respect to international flights. The Supreme Court affirmed the Second Circuit Court's decision by a 4-to-4 holding.

A second case involving the legality of the Board's authority to authorize domestic inclusive tour charters is now pending in the Second Circuit Court of Appeals.

It is apparent that this difference of opinion between two circuit courts, with a 4-to-4 holding of the Supreme Court, provides no clear guideline or precedent for Board or industry thinking.

The Department of Transportation believes that Congress should resolve this matter with a clear statement that supplementals may engage in inclusive tour charters in domestic, overseas, and foreign air transportation. This is the only sound way in which to resolve the uncertainty.

Through their inclusive tour charters, the supplemental carriers have provided the benefits and experience of air transportation to

people who otherwise might not have traveled by air. The supplementals have provided a new degree of competitive endeavor which the scheduled airlines have been unwilling or unable to initiate, despite encouragement by the Board.

With this new traffic source, the supplemental carriers have been able to bring into better balance the ratio of their military and civilian charter business. They have operated competitively, fairly, and on a nondiscriminatory basis. In sum, the inclusive tour charter has meant a wider choice of services and prices, both domestically and internationally. By authorizing inclusive tour charters by the supplementals, the Board has been able to promote progress in aviation and has provided a flexibility which allows it to respond to changing opportunities and needs.

The Department of Transportation believes that such goals should be encouraged.

Under S. 3566, "supplemental air transportation" would include inclusive tour charter trips. An "inclusive tour charter" would be defined as "the charter of an aircraft or portion thereof by a tour operator."

The reason for including the reference to tour operators is unclear. The term does not have a fixed meaning. The Board does have rules governing the financial responsibility of tour operators. But, in practice, a tour operator is anyone who operates tours.

We think it desirable to allow the Board to fix the precise characteristics of inclusive tour charters. The Board should have the flexibility it might need to determine, perhaps by experimentation, the kind of inclusive tour charters which best satisfy the public need. This should be left to the Board to prescribe by regulation, as it did in part 378 of its economic regulations.

We recommend, therefore, that paragraph 33 of section 101 of the Federal Aviation Act of 1958 be amended to provide that supplemental air transportation includes inclusive tour charter trips as prescribed by the Board.

Senator, the Department supports enactment of S. 3566 with some slight variations. I have the Department's recommended amendments with me and can either read them to you or, if you prefer, simply submit them to you in writing.

I appreciate the opportunity to appear here today.

Senator PEARSON. Are your amendments attached as appendixes I and II here?

Mr. AGGER. Yes, they are.

Senator PEARSON. All right. Thank you very much, Mr. Secretary.

I don't think the chairman has had a chance to catch his breath yet.

Senator MONRONEY. I apologize. I will go over the testimony of the Chairman of the CAB and I am interested to hear the rest of the testimony.

Senator PEARSON. Do you have any questions?

Senator HART. No questions.

Senator PEARSON. I don't think I have any questions either, Mr. Chairman. Do you have anything?

Mr. BURZIO. No.

Senator MONRONEY. Thank you very much, Mr. Agger, for your helpful testimony.

(Appendixes I and II of Mr. Agger's statement follow.)

APPENDIX I

The Department of Transportation recommends that paragraph 33 of Section 101 of the Federal Aviation Act of 1958 be amended to simply add the phrase "including inclusive tour charter trips" after the words "charter trips." In addition, we would add the phrase "and subject to regulations prescribed by the Board" after the reference to the certification of public convenience and necessity issued pursuant to Section 401(d)(3) of this Act. Section 2 of the bill would remain as it is with certain modifications which the Board has suggested.

APPENDIX II

"Supplemental air transportation" means charter trips, *including inclusive tour charter trips*, in air transportation, other than the transportation of mail by aircraft, rendered pursuant to a certificate of public convenience and necessity issued pursuant to Section 401(d)(3) of this Act, *and subject to regulations prescribed by the Board*, to supplement the scheduled service authorized by certificates of public convenience and necessity issued pursuant to Sections 401(d)(1) and (2) of this Act.

Senator MONRONEY. Next is Glenn A. Cramer, first vice president, National Air Carrier Association, Washington, D.C., and president, Trans International Airlines, Oakland, Calif.

STATEMENT OF GLENN A. CRAMER, FIRST VICE PRESIDENT, NATIONAL AIR CARRIER ASSOCIATION, WASHINGTON, D.C., AND PRESIDENT, TRANS INTERNATIONAL AIRLINES, INC., OAKLAND, CALIF.; ACCOMPANIED BY EDWARD J. DRISCOLL, PRESIDENT, NATIONAL AIR CARRIER ASSOCIATION, WASHINGTON, D.C., AND CLAYTON BURWELL, ATTORNEY FOR TRANS INTERNATIONAL AIRLINES, INC., WASHINGTON, D.C.

Mr. CRAMER. Thank you, Mr. Chairman.

Senator MONRONEY. You may proceed in your own way.

We are happy to have you here testifying on this vital piece of legislation.

I see Mr. Driscoll here as well. Would you state your title again for the record?

Mr. DRISCOLL. Edward J. Driscoll, president of National Air Carrier Association.

Mr. CRAMER. And also with me is Mr. Clayton Burwell, attorney for National Air Carrier Association.

Senator MONRONEY. Yes, sir. Glad to have you back before the committee. You enjoy a certain amount of seniority in this business of testifying so you may proceed in your own way.

Mr. CRAMER. Mr. Chairman and members of the committee:

My name is Glenn A. Cramer and a biographical statement is attached. I represent the members of the National Air Carrier Association, a group of supplemental airlines embracing almost the entire industry. The members of the association include the following carriers: Capitol Internal Airways, Inc., Nashville, Tenn.; Modern Air Transport, Inc., Miami, Fla.; Overseas National Airways, Inc., Jamaica, N.Y.; Purdue Aeronautics Corp., Lafayette, Ind.; Saturn Airways, Inc., Miami, Fla.; Southern Air Transport, Inc., Miami, Fla.; Standard Airways, Inc., Seattle, Wash.; Trans International Air-

lines, Inc., Oakland, Calif.; Universal Airlines, Inc., Inkster, Mich.; World Airways, Inc., Oakland, Calif.

Senator MONRONEY. Would you identify for the record those engaged solely in personnel carriage and those solely in air cargo?

Mr. CRAMER. I think all engage in personnel carriage in varying degrees. Most of them are mainly personnel carriage and I believe Universal Airlines has more cargo than personnel but all the carriers are personnel carriers.

Senator MONRONEY. I see. This is a mixture of domestic and overseas?

Mr. CRAMER. Yes, sir.

Shall I go through my entire testimony or shall I try and brief it a little bit?

Senator MONRONEY. I think you should. Other testimony has been short. We will insert in the record for reproduction the very complete statistical data you have supplied us with but I think you may skip some of it if you care to. But by and large we would like to have the general outline.

Mr. CRAMER. Thank you very much.

We are in full agreement with the purpose of the bill, although, as I shall point out, we believe it should be amended to vest more discretion in the Civil Aeronautics Board.

The issue before you is not merely a technical amendment of the Federal Aviation Act. The central issue presented to Congress by S. 3566 is whether low-cost packaged vacations continue to be available to the great masses of our citizenry.

The opportunity of our citizens to enjoy a vacation is directly related to the price. Let me give you one example of the effect of price on vacation travel. Some years ago, the president of a nationally known travel agency testified before Congress about a tour arranged by his agency. Approximately 1,000 people had signed up for the tour on scheduled service. However, shortly before the start of the tour the air fare was raised and the price of the tour was increased.

The amount of the increase was small—only about \$100. However, it was enough to cause 900 out of the 1,000 vacationers to cancel their tours. They could afford the original price of the tour. They could not afford \$100 more.

The proposed legislation is designed for those 900 tour dropouts—and millions of people like them. Behind the technicalities and legal language of the bill let's ask a fundamental question. In the jet age should vacation air travel be continued in the main to be confined to the affluent, the privileged few? Or should it be made more widely available to the great masses of the American people—people of modest means who would like to enjoy the advantages of vacation air travel and cannot afford the fares of the trunk lines?

Today, our way of life includes more than food, shelter, and a 2-week camping trip—inherent is the right to travel, to broaden one's horizons in other parts of the world. The bill would continue to make vacation air travel available to low-income groups who would not have this opportunity. This is the real issue and that is why the National Air Carrier Association believes the proposed legislation serves the national interest.

A number of other significant issues also are involved:

First, loss of inclusive-tour authority will seriously threaten the existence of the supplemental airline industry which makes an important contribution to our national defense.

Second, loss of this authority will turn over by default the low-cost international tour business to foreign carriers with a resulting adverse effect on the balance of payments and the growth of the U.S. air transport industry.

Third, passage of the act will not damage the scheduled carriers.

In my testimony I would like to elaborate on each of these points. One, I would like to take a moment to describe what an inclusive tour is.

Present CAB inclusive tour regulations permit supplemental airlines to charter the entire capacity of an aircraft to an independent tour operator who in turn sells to the public a package inclusive tour including transportation on the chartered aircraft and land services.

CAB regulations further distinguish inclusive tours from normal point-to-point service of a route carrier by requiring that the tour must be a round trip service lasting at least 7 days; it must stop overnight at a minimum of three points no less than 50 miles apart; the tour price must include all hotels and ground transportation; and the tour must cost at least 110 percent of the lowest fare on a scheduled airline. Other inclusive tour requirements are set forth in detail in part 378 of the Board's special regulations which is attached.

Visualize with me a typical supplemental inclusive tour selling for less than \$500 from points in the east such as Baltimore, Louisville, or Syracuse and including 3 days and nights in Las Vegas, 7 days and nights in Hawaii and returning through San Francisco for an additional 3 days. In addition to air transportation, all hotel, ground transportation, and sightseeing expenses and many other extras will be provided for the tour participants. The tour involves approximately 10,000 miles of flying. Gourmet meals are served on the aircraft including cocktails or champagne. All ground transportation and baggage handling is included. The baggage is delivered directly to the hotel and collected at the hotel on departure. These and other inclusive tours to South America, Europe, and other parts of the world have already been enjoyed by an estimated 100,000 persons. There is still 50 percent to 60 percent of the American citizens who have never flown. Only 6 percent of the American population has ever traveled outside the borders of the United States.

The price of the air portion of an inclusive tour is between 30 percent and 40 percent below the price of equivalent transportation offered by the trunk carriers. This 30 percent or 40 percent savings on the air transportation portion of the inclusive tour is the difference between many vacationists going or not going. The trunk carriers simply do not provide this service within the reach of many low-income groups.

I think Chairman Crooker and the Department of Transportation's testimony covered what we have been doing in the past few years to Hawaii and what little effect that had on the scheduled airline carriers so I won't read that part of my testimony.

Before discussing the critical impact of the judicial impasse on the supplemental industry itself, it may be helpful to take a minute and update you on our progress.

Senator PEARSON. Who were the parties in the cases? Tell me how this litigation got started.

Mr. CRAMER. I would like to have Mr. Driscoll or Mr. Burwell describe that. I think they can do it more accurately.

Mr. BURWELL. Sir, the Board certificated first in the domestic tour market a number of supplementals and part of the certification permitted them to carry inclusive tours.

Senator PEARSON. This is domestic.

Mr. BURWELL. Yes.

The large carriers, large trunk carriers, petitioned the circuit court in the District of Columbia to review what the Board had done with the hope that they would strike it down for illegality, because they contended that the Board had exceeded its powers under the act Congress passed in 1962.

The District of Columbia Circuit Court wrote a very clear opinion saying that the Board hadn't exceeded its power.

Senator PEARSON. CAB was a party. Who was the other party?

Mr. BURWELL. Well, the supplementals intervened and became parties, and the moving parties were American Airlines and several of the big trunk carriers.

Senator PEARSON. All right.

Mr. BURWELL. Then the large carriers didn't try to take that to the Supreme Court. They waited until later.

The Board in another proceeding a few months later certificated most of the same supplementals for powers to perform inclusive tours in the international field.

Now, that as you know, sir, has to go to the White House and is specifically approved by the President as part of the foreign policy and the President did approve it. Then the petitioners decided to move a little nearer home in their courts and they went up to the second circuit in New York. The second circuit in New York, much to our surprise, decided the opposite way from the circuit court for the District of Columbia. They made some slight pass at saying it was different but I think everybody agrees the principle is exactly the same.

Senator PEARSON. The second circuit ruled on domestic and international?

Mr. BURWELL. On international only. So that technically you have one domestically and one foreign, but it is the same act of Congress and as the distinguished Chairman Rawles pointed out, there was never any suggestion at any time that there would be one set of rules domestically and another set foreign so far as the permit to do inclusive tours.

So, with those two differing circuits, of course, it went to the Supreme Court which, unfortunately, split four to four, which doesn't settle anything; but, it is like baseball: a tie goes to the runner, and in this case the big carriers are Pan American and so on, and are the runners, so that is why we are here.

Senator MONRONEY. May I further explain the history of the bill?

You will recall that the supplementals were unfinanced and under-equipped at the time. We had delays and no shows, not of the passengers but of the planes, and the Aviation Subcommittee felt it was time to regularize these and bring about a safety level that we en-

joyed in other branches of aviation. We felt it could only be done by requiring stringent inspection and stringent regulations.

When the bill passed the Senate we were very proud of the results. It provided that they could sell charter only and that they were also allowed to have inclusive tour. We felt it was necessary to distinguish this type of service from the other types of service.

It was fought rather bitterly in the Senate by the scheduled airlines, but the committee's position prevailed and they included that in the bill that passed the Senate. It wrangled for weeks against a strong lobby in the other body and finally it was a question of having adjustment in the language or no bill at all.

In order to arrive at a bill, the language about inclusive tours was stricken out on the theory we would leave this, as we did the certification of these carriers, to the Civil Aeronautics Board. It was not deleted as a means of eliminating the all-inclusive tour. I know because I was head of the conference committee of the Senate. It was a matter of having the lines more clearly defined as to what the Board would do in the all-inclusive tour field by definitions and the bill was agreed to in both Houses.

Unfortunately on the floor of the House the other body, a certain debate was held including their interpretation about why the all-inclusive tour language was stricken out and not a matter that was to be left to the Board.

The Board, when we passed it, did include the all-inclusive tours in their regulations and it worked well until this court test which I think you can describe as a draw. It is up to us to clarify this language and to say definitely in law that the Board is to be the regulator—not only of the certification—but also of the extent and operation of the all-inclusive tour.

So we are merely clarifying the situation that was subject to some misinterpretation, as to the results of the conference. But S. 3566 supports the bill as it was passed by the Senate in 1962 and we trust we can get it through to restore what we had originally intended to do which has resulted in a fantastic growth of tourism and a fantastic safety record.

Senator HART. Mr. Chairman, did the Congress pass the bill that created this division between the District of Columbia and the Second Circuit, did it say that a supplemental air transportation means charter trips but didn't include the inclusive tour charter trips?

What I am trying to find out is what is the difference between a charter trip and a tour? Are you clear or isn't this relevant to this thing at all?

Mr. BURWELL. I think it is very much relevant, Senator. The broadest concept of a charter trip is any plane load hiring of the airplane. Senator PEARSON. Say that again.

Mr. BURWELL. The broadest concept of a charter, what we might call the common law of definition of charter, is the plane load hiring of an airplane, whether it is a stagecoach, boat or airplane or railroad car.

Now the Board for years has had what they call the affinity charter concept. If you remember the Shakespearean Society, for instance, and your society wants to take a little trip, then you have what they used to call homogeneity. An interest other than just traveling.

Now the problem is that that results in a lot of technical interpretations and it is a very narrow group.

The courts have said in the Interstate Commerce Committee, for instance, there is a Supreme Court case called the *Talk* case which said you didn't have to all be musicians or Boy Scouts in a certain area or Rotarians. If you were going on a trip that was a common adventure, was a package tour with hotels and you stay together all the time and the comradery of going around in a group all over Europe, that that was just as much a charter as the so-called affinity deal of a preformed group where you had to all, as I say, be members of the Shakespeare Club before you ever decide you want to travel. That is the inclusive tour we are talking about.

The Board, to distinguish it from regular scheduled transportation, whether business or whether for vacation, has laid down these very restrictive rules.

You know, three stops, it has to be a round trip, it has to be 7 days, you got to have the hotel and the ground transportation and practically everything along with the air transportation.

Senator HART. This in part explains the reason for my question. You have just described some of the conditions that the CAB attaches to these inclusive tours to distinguish them from normal point-to-point service of a route carrier.

Now, these conditions do not attach to a chartered flight? Or do they?

Mr. BURWELL. They don't Senator Hart, attach to the ordinary affinity charter of the Shakespearean group. They could go somewhere and stop only at one place.

Senator HART. Let me ask it this way: The Monroney bill which we are considering says supplemental air transportation means charter trips including inclusive tour charter trips.

Now the inclusive tour charter is what you have described and the charter is the traditional Shakespearean Club setup.

Mr. BURWELL. Yes, sir. That was of course the subject of the argument in the courts. We said that a charter was not confined to just the old affinity group and the district court circuit said yes, we were right, our four Supreme Court judges said we were right. But that is the argument.

Senator MONRONEY. Isn't it also a fact that in today's travel picture, to sell a charter tour and not provide for the hotel accommodations would be a disservice to the traveling public with the hotel situation at the various resorts being crowded and inadequate. You can't dump 100 passengers at midnight off at some airport in Nice, France, or Hawaii or in the Caribbean and expect them to go hustle their own rooms. This would be a travesty and would disappoint many of the hundreds of thousands of deserving Americans who have been saving a lifetime for a trip abroad.

Mr. CRAMER. That certainly is true. This is a vital part of it and we don't think everybody ought to have to belong to some club in order to be able to take advantage of these package tours.

Senator MONRONEY. Weren't these clubs about as phony as a \$3 bill anyway? They were organized to go around the regulations—

Mr. CRAMER. Not that we know of. [Laughter.]

I am sure we never knew about any if they were phony. [Laughter.]

Senator MONRONEY. To escape or to move around the regulation. They served no real purpose. Some of them got so silly that you had to be born in the dark of the moon on an odd-numbered day and on a Thursday or something to be able to travel together. It just didn't make any sense.

When we struck that down in this legislation you found a vein of gold in tourism that was not being adequately met.

Some time during your testimony—I am sorry I haven't had a chance to study it—I hope you will tell the committee other vital statistics. Reverse tourism. This is the one way we can compensate for the outflow of tourist dollars. The only way you can encourage tourism to the United States is an all expense tour. You ought to include tips, because I think this is a matter of great concern, to particularly the Germans and others who like to travel in groups and want to be able to pay for everything when they leave Hamburg or Frankfurt or Rome or wherever they are leaving from; to know they paid their money and they are kept safe, dry and warm and even the tips are taken care of as the hotel checkout is paid.

Mr. CRAMER. We will touch on that a bit before we get through.

Senator MONRONEY. All right, Mr. Cramer.

Mr. CRAMER. I would like to update the committee on where the industry is.

The industry is very different from that which faced you at the time you passed Public Law 87-528 in 1962. There were 30 carriers then. The CAB by selecting the best has whittled that number down to 13. The 10-member airlines of NACA have in the past 6 years flown 15 billion passenger miles without a single passenger fatality. We fly the most modern jets. No longer does any supplemental have any point-to-point individually ticketed authority which formerly so upset the trunk carriers. No longer are there any compliance or enforcement problems with the supplementals differing in magnitude from those with the trunk carriers. The law violators are gone.

We now have an operation of 75 jet aircraft. By 1971, this fleet will exceed 100 jet aircraft and will represent a total investment of more than \$650 million.

Four of our companies are publicly held. Well over 170,000 stockholders are interested and no doubt dismayed by the action of the courts on inclusive tour authority.

We hope the progress we have made has in some measure justified the confidence you placed in us in passing Public Law 87-528, the confidence the Board and the President placed in us by approving our authority, and lastly the confidence the military and the public have placed in us in using our services. But all this progress is threatened by the court action which brings us here.

Of course, the Board certificated the supplementals to perform inclusive tours not only because there was an unfulfilled public need for this service, but also because the supplemental industry with only affinity charter authority might not survive without it. This conclusion was reached after months of hearings, economic studies in depth, and a careful process by the Board of evolving roles and missions for each type of carrier. Much of this careful development of policy is stymied by the action of the courts and poses the question of how the supplementals can survive on military and affinity charters alone.

The military have a requirement that at least 40 percent of a carrier's revenues must come from civil commercial sources if it is to be eligible for military business. At present even with inclusive charters the supplementals in the business of carrying military personnel and cargo, derive only 42 percent of their total revenues from civil sources. Military representatives propose to require in the post-Vietnam period that 60 percent of the carrier's revenues must be from civil commercial sources if it is to be eligible for continued participation in military business.

To make matters worse, there has been a decrease in the military business available to supplementals in the last few months. We fervently hope in the national interest that the negotiations for peace in Vietnam will be successful. The dramatic decrease in the airlift requirement of the military following a peace in Vietnam will, of course, increase our dependence on inclusive tours for survival.

Not only do the supplementals make a contribution to the national defense but through employment, the purchase of aircraft, fuel, and maintenance contribute to the national economy. Promoting new vacationist brings in revenues to hotels, restaurants and all vacation services.

It must be emphasized that the passage of legislation authorizing supplementals to continue to engage in inclusive-tour services will not detrimentally affect the route carriers' financial stability. The domestic and international trunk carriers are extremely large and financially strong. They dwarf the supplementals. But yet another, and possibly the chief safeguard insuring their continued strength, is that the operation of inclusive tours by supplementals does not divert from the trunklines.

We have a few statistics, then, about how large they are and how small we are. If you would like I would read those.

Senator MONRONEY. I think that is important.

Mr. CRAMER. In 1967 the domestic and international trunk carriers collected over \$6 billion in gross revenues. See exhibit 1. Stupendous gross revenues represent over 86 percent of the total air transport gross. By comparison, the gross revenues of the supplementals for the same year—1967—amounted to a tiny 3.7 percent.

Again exhibit 1 shows that the total net profits for all trunks—\$414,509,000—for 1967 represented over 93 percent of the total. The supplementals share—\$21,070,000—of the total is a negligible 4.7 percent.

Certainly the above figures show that the trunks are in an enviable financial position. With the above facts in mind, it is difficult to imagine how a segment of the industry the size of the supplementals can be a potent threat to the trunklines with or without inclusive-tour authority. Certainly supplemental carrier inclusive-tour operations lack the prospect of seriously affecting the economic strength of the trunks through diversion.

The possible diversionary effect of inclusive-tour operations of supplementals on the trunkline industry has been the principal argument they have used against the grant of authority to the supplementals to operate such tours. This argument has been proven to be unfounded.

The trunk's diversion argument was made to the CAB during the proceeding through which it authorized supplementals to engage in

inclusive-tour operations. The Board found the trunk's diversion argument totally unconvincing. Chairman Crooker touched on that this morning in his testimony, so I won't repeat it.

The British administrative agency regulating air transport, its Air Transport Licensing Board, has witnessed the total lack of diversion of inclusive-tour operations on scheduled, individually ticketed services. In its fifth report, the ATLB states—paragraph 12:

After four years' experience of the interaction of the two types of traffic—scheduled carriers vs. charters operators—we can find no evidence that inclusive tours have been responsible for any material diversion of traffic from the scheduled carriers. On the contrary, BEA's total passenger traffic continues to grow at much the same rate as before the inclusive tour charter traffic reached its present proportions.

The sixth and the current seventh report of the ATLB does not show that subsequent experience has altered the above conclusion. In their opinion diversion of traffic is not a practical problem.

Facts concerning possible diversion are available. The experience which has been accumulated on the question proves that inclusive tour services of supplementals do not divert traffic from the trunks scheduled operations. It increases the total traffic base to the mutual benefit of the entire industry.

Mr. Low is going to appear here on behalf of some of the tour operators and I think in a talk about the statistics that I referred to here and I will pass over those.

The CAB, with the President's endorsement, has authorized foreign charter airlines to engage in inclusive tour services to and from the United States in order to encourage foreign countries to grant U.S. supplementals reciprocal opportunities. The inclusive tour authority of these foreign carriers is unaffected by the conflicting court decisions just discussed. If U.S. supplementals are prohibited from participating in the international inclusive tour market, that market and the resulting revenues will go by default to the foreign carriers. Such a situation is wholly at odds with our national interest or the intent of the President in approving the CAB awards to both U.S. and foreign charter carriers.

Senator MONRONEY. This then would eliminate any dollar flow back here practically except in money that might be spent for hotels and meals. Exclusively allowing this market to go to European carriers or Asiatic carriers.

Mr. CRAMER. Yes, sir; and also would increase the dollar outflow in that inclusive tour charters could be performed on a foreign carrier and the money that should have been going to the U.S. supplemental carrier will be going to a foreign carrier.

Senator MONRONEY. Do I understand correctly now that unless this bill is passed foreign airlines will carry all-inclusive tours from Europe or Asia here and they will enjoy an exclusive on the origination of all-inclusive tours by the foreign lines while we would not be able to meet the competitive situation in this reverse tourism?

Mr. CRAMER. That is exactly correct.

Senator MONRONEY. So we would be striking a very serious blow at the reversing the dollar flow which, as you know, is considerable on overseas tourism.

Mr. CRAMER. Yes, sir.

Mr. BURWELL. They would not only enjoy the exclusive right to originate tours from Europe but they would enjoy also an exclusive right to originate inclusive tours from U.S. citizens going to Europe. They would be exclusive both ways.

Senator MONRONEY. But they would earn dollars both ways on this. We would not only lose the dollar earnings that are going abroad, which must include about 80 percent of the flight cost or the cost of the ticket and then about 20 percent for the facilities abroad, but at the same time we would sacrifice the opportunity to originate flights in Europe for Europeans coming here.

You would have a compounded loss in a competitive situation for the tourist dollar. It would be heavily imbalanced on the side of the dollar going abroad.

Mr. CRAMER. We lose both ways.

Mr. BURWELL. It would be a great blow to the Discover America program.

Senator MONRONEY. Is the U.S. travel agency going to be represented here? We should have them. We will ask them to appear, too, in this matter as to the statistical base we would be locking ourselves into if we failed to have at least equality for American carriers.

Mr. CRAMER. The purpose of S. 3566 is to clarify Congress intent to authorize the Civil Aeronautics Board to grant to supplemental carriers inclusive tour charter authority. This purpose was ably stated by yourself in the Congressional Record of May 29, 1968, the day you introduced S. 3566 on behalf of yourself and Senator Magnuson. The reason that such a bill became necessary is due to the conflict of decisions of our Federal courts as to whether Public Law 87-528 gave the CAB authority to authorize supplemental carriers to engage in inclusive tour services.

In your report in the 1962 legislation you made the following statement which is even more timely today:

Since its origin, the supplemental air carrier industry has existed in an atmosphere of uncertainty from one month to the next as to whether operating authority would continue. It has been an era of continued court challenges, protracted, costly, and tedious Government deliberations, anxiety and frustration. Your committee is unanimous in its conviction that the supplemental air carriers have a vital role to play in meeting the air transportation needs of this country.

We ask you to end this uncertainty. As further insurance against more court litigation, we ask that you consider certain amendments to S. 3566. One amendment would eliminate the word "charter" in line 6 and substitute the word "and" for "including" on the same line.

The question of whether an inclusive tour is a charter has been the crux of our present legal entanglements. The amendments aim to give the Board the maximum discretion to certificate inclusive tours under regulations prescribed by it. The restrictions placed upon an inclusive tour trip would actually delimit inclusive-tour trips from regular individually ticketed point-to-point transportation, as the Board thought necessary from time to time under varying circumstances in order to control any significant diversion from the route carriers.

We also suggest an amendment which would insert a period after "Board" on line 1 of page 2 and strike everything in that section after

"Board". This would eliminate a definition of inclusive-tour charter trips and simply leave the whole matter to the Board.

We, therefore, believe that the status quo in this regard is maintained by preserving the Board's latitude to deal with new circumstances that might arise.

More important is the fact that the certificates issued for inclusive-tour authority are experimental and will, therefore, be reviewed in a couple of years. Because of their experimental nature, it seems desirable to give the Board the fullest freedom to adjust its regulations in accordance with the restrictions of the experiment rather than to freeze the type of marketing in the statute.

Finally, it is believed that the more clearly the Congress turns over the job of inclusive tours to the Board to control and evolve by regulation the less chance there is of further litigation on the question of legislative intent.

Amid all the claims and counterclaims of the supplementals and the trunk carriers, one point emerges loud and clear. The Board and the President after conscientious and objective deliberation authorized inclusive tours on the basis of public need, which included a balancing of the interest of the supplementals versus the trunk carriers. The Board's and the President's actions have been frustrated in the courts. Only the Congress, at this stage, can preserve the public interest. I hope you will approve what the Board and the President have done.

I would like to sincerely thank the committee for this opportunity to appear on this important subject.

Senator MONRONEY. Thank you very much for a very comprehensive statement. And your associates, Mr. Driscoll and Mr. Burwell.

These last two pages, would this extend any further the power that you had before the court cases?

Mr. CRAMER. We do not believe so. What we are asking is that discretion be left with the Civil Aeronautics Board to determine what the carriers should be doing.

I would like Mr. Driscoll, president of the association, to address himself to this.

Mr. DRISCOLL. We feel it very important that the Board have discretion in this area.

As you pointed out, Congress has vested broad discretion in its legislative arm, the CAB, in the certification process. We feel the same situation should prevail here.

To answer your question directly, we don't believe that our proposed amendment grants to the Board any greater authority than it enjoyed prior to the Supreme Court case. We do feel that discretion during an experiment is desirable—the inclusive tour is experimental to the degree it is just getting started. It is on a build up. We feel the Board must have the maximum flexibility to determine how they will shape their rules and regulations to guide this experiment into full fruition, if you will.

Senator MONRONEY. I am very anxious to see Congress act on this bill. I think it is of an emergency nature. There must be thousands of people who already paid money for the trip of a lifetime they expect to make. I would hate to see any change made in the bill that would make it impossible to get legislation this year and leave your status in midair. As we drafted the bill, we have been anxious to not find our-

selves involved in any charge of extending the authority that you had prior to the court cases, feeling that this would be one way to expedite the bill and avoid a prolonged conference which might delay it to the point where the summer vacations many planned would be frustrated and the cost greatly increased.

Does this involve the matter of individual ticketing?

Mr. DRISCOLL. No, sir.

Mr. CRAMER. Not in any way.

Senator MONRONEY. Let's amplify what you consider this restrictive language that you want to strike will do. This is liable to be the crux of the issue.

Mr. DRISCOLL. We suggest deleting the word "charter" where it says including inclusive tour charter, be deleted, and delete the word "including" and substitute "and". The word charter has been the crux of the litigation. By leaving the word charter in the definition or saying inclusive tour charter trip, that may subject us, even after the enactment of legislation, to further court challenges.

I think we all have been involved in enough litigation and our intent is only to preclude further litigation on this point.

Senator MONRONEY. Let's get down to the cases.

Where you talked about inclusive tour charter, this means as you presently operate that a travel service will become the charter agent for a flight and would engage by contract or agreement with you to book that flight. Is that not correct?

Mr. DRISCOLL. This is under the present system; yes, sir.

Senator MONRONEY. You want to change this system to where Joe Jones in Oklahoma City or Tom Smith in Albuquerque or Pete Murphy in St. Louis can each sell as many seats on that individually ticketed as they so desire?

Mr. DRISCOLL. What we are saying here, sir, to answer the question directly, we are only saying we would like the Board to have the maximum flexibility to do what they feel should be done. We don't reach the conclusion that any particular manner of marketing should be enacted. We fear that, in the definition 'by a tour operator' would freeze to a given individual or a given group of individuals removing the discretion from the Board that we feel they should have in order to accomplish the purposes for which the legislation was enacted and which we hope will be enacted.

Our theory is not to prejudge at this point how the thing should be marketed but really to leave to the Board the broad discretion that we feel they should have.

Senator MONRONEY. Would the language recommended by the Board achieve that same purpose?

Mr. DRISCOLL. In the time we have had to analyze both that language proposed by DOT, there appear to be only slight variations. I feel both would probably accomplish that. They have very slight differences as I see it.

Senator MONRONEY. There is, I think, more than a slight difference on this. The language in S. 3566 states, supplemental air transportation means charter trips, including inclusive tour charter trips in air transportation, other transportation, et cetera. Is that the language you want? This is the Board language. Your language would recommend supplemental air transportation means charter trips and inclusive tour trips.

Now you are getting over into a highly controversial field. It is a question of whether you want a bill or no bill. I am not so concerned with this body as I am with the other body. I know what we ran into for months. I think you remember those days. It was hopeless bickering.

Mr. DRISCOLL. Yes, sir.

To answer your question, we want a bill. I think you recognize this. Various versions have been proposed by DOT, CAB, and ourselves today. With your permission we would like to try to work out with the council modifications. We only want to achieve one purpose, that the Board have flexibility.

However that is achieved, we are satisfied.

Senator MONRONEY. I don't want to draw a line except I am trying to have a bill and I think it is urgent to you, more importantly to the public that is planning this lifetime experience, that we don't come up here in vacation time with a bill still in conference and no authority to fly as you have been flying. In other words, it is going to be possible to expedite the bill through this body, I think, if we say this does exactly what they have been doing. We merely are making it clear they have this right.

If we go beyond this I think you will run into a series of difficulties that I don't like to contemplate.

Mr. BURWELL. May I make an observation on the discussion?

I certainly recall the storm clouds that everybody ran into in 1962 in this general area. If in your view the taking out of the word "charter," I don't think that matters too much.

Senator MONRONEY. Senator Hart?

Senator HART. If the answer is quickly available, by whose definition does charter require this affinity business? The basic act or Board decision?

Mr. BURWELL. The Board's decision.

Senator HART. All right. Thank you.

Senator MONRONEY. Thank you very much for your very helpful information and data.

Mr. CRAMER. Might I add just one more thing?

We have been up here—we didn't get an opportunity to study the Board's proposal before we sat up here but some of our members sitting back behind have had a little opportunity and they feel like the Board's bill is OK and we would like to be able to talk with them a little bit more later and either—and I think probably we will be taking the position that the Board bill is satisfactory.

Senator MONRONEY. This committee is very proud of the record you made. This is a success story of aviation. We are happy that you have brought this worldwide travel to so many thousands, hundreds of thousands, who otherwise could not have been delivered happy and warm at their destinations and brought back on time.

We would like to have this matter go through without prolonged debate so when you reach the last days of the session and you try to blend versions of the House and Senate and attempt to incorporate new matter, you are not digging up a lot of new snakes. That is what we are trying to avoid in your own interest.

Anything further you have to say on trying to do more in expediting reverse tourism?

Mr. DRISCOLL. Can we comment on that aspect, sir?

Basically, the makeup of our traffic shows currently under our international operations which have mainly been in the Atlantic about a 4-to-5 ratio, four Europeans inbound for every five American outbound.

Senator MONRONEY. Is it that good?

Mr. DRISCOLL. Yes, sir. This is contained in an analysis we prepared and submitted to the Ways and Means Committee as well as to Ambassador McKinney when he had the committee reviewing the balance-of-payment problems.

One thing I would like to emphasize and submit for the record if you would accept it is the Civil Aeronautics Board press release which is dated February 8, 1967, which not only shows what we have done but more importantly shows let us say what we have done in the transatlantic market.

For example, in 1963 we carried only 17 percent of the transatlantic traffic. As of 1967 we carried 43 percent. In the same period the foreign route carriers have decreased from their high in 1963 of 75 percent to 27 percent. This is the charter traffic.

On the balance-of-payments problem, admittedly, there are pros and cons, economists will disagree and we would assume there would be testimony before your committee that would try to say anything you do would add to the balance-of-payments problem. However, on balance, as near as we have been able to figure it out and as we believe some of the Government agencies have figured it out, on balance there would be no adverse impact on the balance of payments and in all likelihood there would be a positive contribution to assisting the deficit problem.

In fact, in the submission we made to Ways and Means, through inclusive tour on foreign originating traffic what we call back-to-back, foreign traffic over foreign traffic back, we could see where we could make a substantial contribution to the balance-of-payments problem.

Senator MONRONEY. Is there any way you can get your rates down for reverse foreign travel by perhaps flying the long stage of the flight at night?

For example, after arrival in New York, maybe at the time the plane would not otherwise be utilized. After 8 your jets generally are sitting on the ramps. To have a lower cost trip that you could fly at these odd hours, put them to bed a little later and let them sleep later in the morning and then make the next stage at night at a time when you have little utilization for your other aircraft or where a contract could be made with our vastly improving feeder lines or local service lines to fly short stages and turn them back over to you at the port of embarkation for the long haul.

I think we are probably still pricing ourselves a little out of the European market.

I am reaching for some ways to bring this into a better balance if there is any way to encourage this be done. I know this is an individual operation. We don't expect you to subsidize the dollar flow but I am wondering if we could increase it by spectacular merchandising, cheaper rates. I am sure the prime thing all of us have to face is how much it will cost.

Mr. CRAMER. We are doing a great deal of what you are suggesting now. Most of the carriers in the foreign business are flying 14 to 15

hours a day utilization which does achieve a very much lower cost. Part of that is military operations, part is affinity charters and part we would have of inclusive tours.

There are lower rates given to the Europeans to encourage them to come here as a result of this high utilization. Then in turn as you point out, they do use our local service lines to travel around the domestic United States because we cannot jump around with them so in that manner we are doing exactly what you suggest.

Senator MONRONEY. Can you sell that a grade tour to national parks, et cetera, as a part of an all-inclusive tour utilizing local service or domestic charter to fill in these gaps or even bus tours when you are in the mountains? I am looking at merchandising the reverse dollar flow if can be done. I think you have a great asset there in showing that it is in the national interest that we have this ability to price it down to where you reach another body of Europeans who are becoming more affluent each year.

Mr. CRAMER. We do have that ability once we get this cloud off the inclusive tours to offer the lower price that gets to that lower income group. We will be bringing many more of these people here. We can benefit the regional carriers by bringing them here and letting them discover America and letting them spend the money they have here rather than down in the Mediterranean in Africa or some place else.

Senator MONRONEY. Thank you very much.

(The prepared text follows:)

STATEMENT OF GLENN A. CRAMER, PRESIDENT OF TRANS INTERNATIONAL AIRLINES AND VICE PRESIDENT OF THE NATIONAL AIR CARRIER ASSOCIATION ON BEHALF OF THE NATIONAL AIR CARRIER ASSOCIATION

Mr. Chairman and members of the Committee. My name is Glenn A. Cramer and a biographical statement is attached. I represent the members of the National Air Carrier Association, a group of supplemental airlines embracing almost the entire industry. The members of the association include the following carriers:

Capitol International Airways, Inc., Nashville, Tenn.
 Modern Air Transport, Inc., Miami, Fla.
 Overseas National Airways, Inc., Jamaica, N.Y.
 Purdue Aeronautics Corp., Lafayette, Ind.
 Saturn Airways, Inc., Miami, Fla.
 Southern Air Transport, Inc., Miami, Fla.
 Standard Airways, Inc., Seattle, Wash.
 Trans International Airlines, Inc., Oakland, Calif.
 Universal Airlines, Inc., Inkster, Mich.
 World Airways, Inc., Oakland, Calif.

I am pleased to have this opportunity to present to you our views in connection with S. 3566, a bill to amend the Federal Aviation Act with respect to the definition of "supplemental air transportation." We are in full agreement with the purpose of the bill, although as I shall point out, we believe it should be amended to vest more discretion in the Civil Aeronautics Board.

The issue before you is not merely a technical amendment of the Federal Aviation Act. The central issue presented to Congress by S. 3566 is: *whether low-cost packaged vacations continue to be available to the great masses of our citizenry.*

The opportunity of our citizens to enjoy a vacation is directly related to the price. Let me give you one example of the effect of price on vacation travel. Some years ago, the president of a nationally known travel agency testified before Congress about a tour arranged by his agency. Approximately 1,000 people had signed up for the tour on scheduled service. However, shortly before the start of the tour the air fare was raised and the price of the tour was increased.

The amount of the increase was small—only about \$100. However it was enough to cause 900 out of the 1,000 vacationers to cancel their tours. They could afford the original price of the tour. They could *not* afford \$100 more.

The proposed legislation is designed for those 900 tour dropouts—and millions of people like them. Behind the technicalities and legal language of the bill let's ask a fundamental question. In the jet age should vacation air travel be continued in the main to be confined to the affluent, the privileged few? Or should it be made more widely available to the great masses of the American people—people of modest means who would like to enjoy the advantages of vacation air travel and cannot afford the fares of the trunk lines?

Today, our way of life includes more than food, shelter and a two-week camping trip—inherent is the right to travel, to broaden one's horizons in other parts of the world. The bill would continue to make vacation air travel available to low-income groups who would not have this opportunity. This is the real issue and that is why the National Air Carrier Association believes the proposed legislation serves the national interest.

A number of other significant issues also are involved :

First, loss of inclusive tour authority will seriously threaten the existence of the supplemental airline industry which makes an important contribution to our national defense.

Second, loss of this authority will turn over by default the low-cost international tour business to foreign carriers with a resulting adverse effect on the balance of payments and the growth of the U.S. air transport industry.

Third, passage of the Act will not damage the scheduled carriers.

In my testimony I would like to elaborate on each of these points. Before I continue it might be best to take a moment to describe the inclusive tours which were actually certificated by the Board so that you can see how different they are from the point-to-point transportation of the route carriers.

Present CAB inclusive tour regulations permit supplemental airlines to charter the entire capacity of an aircraft to an independent tour operator who in turn sells to the public a package inclusive tour including transportation on the chartered aircraft and land services.

CAB regulations further distinguish inclusive tours from normal point-to-point service of a route carrier by requiring that the tour must be a round-trip service lasting at least 7 days; it must stop overnight at a minimum of 3 points no less than 50 miles apart; the tour price must include all hotels and ground transportation; and the tour must cost at least 110% of the lowest fare on a scheduled airline. Other inclusive tour requirements are set forth in detail in Part 378 of the Board's Special Regulations which is attached.

Visualize with me a typical supplemental inclusive tour selling for less than \$500 from points in the east such as Baltimore, Louisville, or Syracuse and including 3 days and nights in Las Vegas, seven days and nights in Hawaii and returning through San Francisco for an additional three days. In addition to air transportation, all hotel, ground transportation, and sight-seeing expenses and many other extras will be provided for the tour participants. The tour involves approximately 10,000 miles of flying. Gourmet meals are served on the aircraft including cocktails or champagne. All ground transportation and baggage handling is included. The baggage is delivered directly to the hotel and collected at the hotel on departure. These and other inclusive tours to South America, Europe, and other parts of the world have already been enjoyed by an estimated 100,000 persons. There is still 50% to 60% of the American citizens who have never flown. Only 6% of the American population has ever traveled outside the borders of the U.S.

The price of the air portion of an inclusive tour is between 30% and 40% below the price of equivalent transportation offered by the trunk carriers. This 30% or 40% savings on the air transportation portion of the inclusive tour is the difference between many vacationists going or not going. The trunk carriers simply do not provide this service within the reach of many low income groups.

Recent surveys substantiate the ability of inclusive tours to tap a vast new market. A survey of 400 passengers on inclusive tours to Hawaii conducted by World Airways and Berry Travel Service shows that 20% of the tour participants said they had never flown before. A large percentage of the tour participants responding to the questionnaire were retired persons or persons from lower or fixed income brackets who normally do not use air transportation.

Another extensive survey of this type was made by American International Travel Service, known as AITS. We are happy that their President, Mr. Harold Lowe, will appear and provide the committee with the detailed results of this

survey of more than 13,370 passengers of the 30,033 passengers to whom AITS sold vacation packages to Hawaii in 1967. Eighty-nine percent of the 13,370 passengers surveyed stated that they had never been to Hawaii.

It is interesting to note the dramatic increase in 1967 over 1966 of the vacation traffic to Hawaii from states in which AITS began selling vacation packages in 1966 and which states are away from the principal trunk line routes. With a national average increase of 43.5% in 1967 traffic to Hawaii over 1966, the increase from North Carolina for instance was 123.6%; West Virginia 110%; Kentucky 99%; and Iowa 75.9%.

The reply brief on the inclusive tour question of the American Society of Travel Agents before the Supreme Court in *World Airways v. Pan American*, No. 800, briefly portrays the extent of acceptance of inclusive tours and their lack of harmful impact on the scheduled air carriers. At page 2 it states:

"As we pointed out in our main brief the Board has found with ample support that diversion from the scheduled carriers would not be significant. The British who have had over 16 years experience with ITC's said there has been no material diversion. The Interstate Commerce Commission has not found diversion significant with respect to ITC's by motor bus.

"The Court may be interested in some statistics on ITC operations to date which seem to confirm the British and U.S. motor carrier findings of little diversion. In the domestic area by far the most popular ITC's to date have been to Hawaii. In 1967, 51,340 passengers traveled to Hawaii on ITC's. This year, 1968, if only one half of the ITC's so far authorized are in fact operated (assuming full plane loads), some 140,000 tourists will visit Hawaii on ITC's. Notwithstanding this growth, scheduled services of the scheduled domestic carriers have likewise made striking strides forward. Thus, from the strike year 1966, during which such carriers moved 1,000,090 passengers to Hawaii, the figure increased to 1,722,000 in 1967, and will increase to an estimated 2,066,400 passengers in 1968. In spite of the growing inclusive tour program, no impact on the regular services of the trunk carriers is evident. And their financial prospects are excellent. We suggest that the heavy promotion of ITC's to Hawaii has actually had some effect on increasing the scheduled carriers traffic to Hawaii, by implanting the desire to go Hawaii in persons who are unwilling or unable to do so via ITC's."

Of course, it is our belief that the Congress in PL 87-528 expressed the intent that the Board should have the power to define charters. The trunk carriers themselves through the Air Transport Association strongly contended before this Committee and before the House Subcommittee during hearings on PL 87-528 that the definition of charters should be left to the Board. In fact, Mr. Tipton, the President of the Air Transport Association, submitted during the hearings before this Committee a memorandum entitled: "THERE IS NO PRESENT NEED FOR DEFINITION OF 'CHARTER' IN THE FEDERAL AVIATION ACT," urging the Congress to permit the Board to define charter by regulation. Later, the trunk carriers contended the exact contrary in Court.

The Board, after careful study of the Act, concluded that it was given the authority by Congress to define charter. The President reached the same conclusion in approving the Board's definition of charter to include inclusive tours in approving certificates in the foreign field. The Solicitor General of the United States reached the same conclusion in presenting the cases to the Courts. The U.S. Circuit Court of Appeals for the District of Columbia decided that the Act left to the Board the definition of charter. Lastly, four of the eight Supreme Court Justices voting on the matter reached the same conclusion.

The Air Transport Association has reversed its position and now bitterly opposes inclusive tours for the American public. While they generalize about diversion, which we will discuss in a moment, this is a red herring. The *Travel Management Newsletter* of May 28, 1968, gives a more accurate portrayal of the trunk carriers hostility to inclusive tours on page 1 as follows:

"The reaction to the news of the high court's order was, predictably, mixed: "SCHEDULED CARRIERS. While the international airlines were obviously reluctant to say it out loud, there was little doubt they were jubilant on several counts: (1) competition for mass-market, budget travel would diminish; (2) pressure for lower and lower fares to stay competitive with the supplemental airlines' ITC programs would lessen; and (3) the thrust for more and more

special low-cost promotional tariffs, such as the group inclusive tour fare (GIT), would be parried. Said a vice president of one international airline, rather picturesquely: 'We will go into the fare conference at Cannes in September without that supplemental ITC sword dangling over our heads.' "

Thus, the enthusiastic acceptance by the low income groups of the public of inclusive tours is matched by the trunk carriers' resolve to shut out these groups, to close the doors at the fare conference at Cannes and set the fares where they want them and how they want them. You can be sure that if you do not consider the low income vacationist here, he will not be considered in the IATA discussions on the Riviera in September.

Before discussing the critical impact of the judicial impasse on the supplemental industry itself, it may be helpful to take a minute and update you on our progress. The industry is very different from that which faced you at the time you passed PL 87-528 in 1962. There were thirty carriers then. The CAB by selecting the best has whittled that number down to thirteen. The ten-member airlines of NACA have in the past six years flown 15 billion passenger miles without a single passenger fatality. We fly the most modern jets. No longer does any supplemental have any point-to-point individually ticketed authority which formerly so upset the trunk carriers. No longer are there any compliance or enforcement problems with the supplementals differing in magnitude from those with the trunk carriers. The law violators are gone.

We now have an operation of seventy-five jet aircraft. By 1971, this fleet will exceed 100 jet aircraft and will represent a total investment of more than \$650 million.

Four of our companies are publicly held. Well over 170,000 stockholders are interested and no doubt dismayed by the action of the courts on inclusive tour authority.

An example of the growth of the supplementals is illustrated in the transatlantic charter market. In 1963, 184,000 passengers were transported on transatlantic charter flights by all classes of carriers. At that time the U.S. supplementals flew 31,000 of these travelers and the foreign IATA carriers flew 138,000 and the U.S. IATA carriers carried 10,000. Looking at the 1967 total of 557,000 passengers, the supplementals flew 239,000, while the foreign route carriers flew 151,000 and the U.S. IATA carriers carried 92,000. Since the supplementals are the air charter specialists, it is natural that they should account for the major portion of the growth. However, it should be noted that on a percentage basis the U.S. IATA carrier's charter traffic in this important market increased even more dramatically during the same period.

We hope the progress we have made has in some measure justified the confidence you placed in us in passing PL 87-528, the confidence the Board and the President placed in us by approving our authority, and lastly the confidence the military and the public have placed in us in using our services. But all this progress is threatened by the court action which brings us here.

Of course, the Board certificated the supplementals to perform inclusive tours not only because there was an unfulfilled public need for this service, but also because the supplemental industry with only affinity charter authority might not survive without it. This conclusion was reached after months of hearings, economic studies in depth, and a careful process by the Board of evolving roles and missions for each type of carrier. Much of this careful development of policy is stymied by the action of the courts and poses the question of how the supplementals can survive on military and affinity charters alone.

The military have a requirement that at least 40% of a carrier's revenues must come from civil commercial sources if it is to be eligible for military business. At present even with inclusive charters the supplementals in the business of carrying military personnel and cargo, derive only 42% of their total revenues from civil sources. Military representatives propose to require in the post-Vietnam period that 60% of the carrier's revenues must be from civil commercial sources if it is to be eligible for continued participation in military business. How can the supplementals increase their civil business if a principal market which would permit them to do so is allowed to be struck

down? The Board stated at page 9 of its decision (Order E-24237) authorizing inclusive tours in foreign air transportation:

"These carriers have proved to be an essential factor in our national defense civil augmentation airlift system, making substantial contributions in time of national crisis. The United States thus has a sizeable stake in their continued survival and viability. Inclusive tour authority will make a contribution to that continued viability."

To make matters worse, there has been a decrease in the military business available to supplementals in the last few months. We fervently hope in the national interest that the negotiations for peace in Vietnam will be successful. The dramatic decrease in the airlift requirement of the military following a peace in Vietnam will, of course, increase our dependence on inclusive tours for survival.

Not only do the supplementals make a contribution to the national defense but through employment, the purchase of aircraft, fuel, and maintenance contribute to the national economy. Promoting new vacationists bring in revenues to hotels, restaurants and all vacation services.

It must be emphasized that the passage of legislation authorizing supplementals to continue to engage in inclusive tour services will not detrimentally affect the route carriers' financial stability. The domestic and international trunk carriers are extremely large and financially strong. They dwarf the supplementals. The vast financial strength of the trunks and their share of the total air transport market is in itself sufficient protection for them against any competition from supplementals engaging in inclusive tour operations. But yet another, and possibly the chief safeguard insuring their continued strength, is that the operation of inclusive tours by supplementals does not divert from the trunklines.

In 1967, the domestic and international trunk carriers collected over six billion dollars in gross revenues! See Exhibit 1. Stupendous gross revenues represent over 86% of the total air transport gross. By comparison, the gross revenues of the supplementals for the same year—1967—amounted to a tiny 3.7%.

Again Exhibit 1 shows that the *total net profits* for all trunks (\$414,509,000) for 1967 represented over 93% of the total. The supplementals share (\$21,070,000) of the total is a negligible 4.7%.

Certainly the above figures show that the trunks are in an enviable financial position. With the above facts in mind, it is difficult to imagine how a segment of the industry the size of the supplementals can be a potent threat to the trunklines with or without inclusive tour authority. Certainly supplemental carrier inclusive tour operations lack the prospect of seriously affecting the economic strength of the trunks through diversion.

The possible diversionary effect of inclusive tour operations of supplementals on the trunkline industry has been the principal argument they have used against the grant of authority to the supplementals to operate such tours. This argument has been proven to be unfounded.

The trunk's diversion argument was made to the CAB during the proceeding through which it authorized supplementals to engage in inclusive tour operations. The Board found the trunk's diversion argument totally unconvincing:

"In the last analysis, it is not possible to predict with any degree of certainty the actual amount of diversion from scheduled services which may be occasioned by the tour operations. At this juncture we are not persuaded that such diversion will be of sufficient consequence to overshadow the substantial public benefits which we foresee from the new class of service." CAB Order E-23350, p. 15 (1966)

Experience, as will be shown subsequently, has substantiated the CAB conclusion.

The British administrative agency regulating air transport, its Air Transport Licensing Board, has witnessed the total lack of diversion of inclusive tour operations on scheduled individually ticketed services. In its Fifth Report, the ATLB states (paragraph 12):

"[A]fter four years' experience of the interaction of the two types of traffic [scheduled carriers vs. charter operators], we can find no evidence that inclusive tours have been responsible for any material diversion of traffic from the sched-

uled carriers. On the contrary, BEA's total passenger traffic continues to grow at much the same rate as before the inclusive tour charter traffic reached its present proportions."

The Sixth and the current Seventh Report of the ATLB does *not* show that subsequent experience has altered the above conclusion. In their opinion diversion of traffic is not a practical problem.

Facts concerning possible diversion are available. The experience has been accumulated on the question *proves* that inclusive tour services of supplementals do *not* divert traffic from the trunks scheduled operations. It *increases* the total traffic base to the mutual benefit of the entire industry.

The mainland-Hawaii inclusive our market has experienced considerable exploitation by the supplemental carriers. The Berry/World Airways survey of their Hawaiian inclusive tours during March-May, 1968, illustrates the traffic generating effect of inclusive tours. That is, the generation of *new* traffic. *New* business.

Exhibit 2 shows that the fantastic yearly growth in mainland-Hawaii individually ticketed passengers of the route carriers has *not* faltered even though the supplementals introduced inclusive tour service in the market. In fact since inclusive tour service has been introduced in that market it is estimated that the 1967 regular route carrier's traffic has *grown* 30% over 1966. This is a greater growth than the 1962-1967 compound growth of 27%. It would appear that on the face of such facts an argument that inclusive tours divert traffic and traffic revenues from the route carriers is spacious.

The very substantial growth of the trunklines in gross revenues and net profits for 1967 over 1966 is another indicator of the frailty of any diversion argument, since 1967 was the first full year of supplemental carrier inclusive tour operations. See, Exhibit 1. The domestic and international trunklines experienced an *increase* in gross revenues for 1967 over 1966 in excess of 20%. For the same comparative periods, their net profits *increased* 7.4%. On the other hand, the supplementals suffered a net profits decrease of over 6%. Surely, these facts show the fictional nature of a diversion argument in opposition to the proposed bill. And, of course, the Board would possess ample discretion to amend its inclusive tour regulations to stem any diversion which might occur.

The CAB, with the President's endorsement, has authorized foreign charter airlines to engage in inclusive tour services to and from the United States in order to encourage foreign countries to grant U.S. supplementals reciprocal opportunities. The inclusive tour authority of these foreign carriers is unaffected by the conflicting court decisions just discussed. If U.S. supplementals are prohibited from participating in the international inclusive tour market, that market and the resulting revenues will go by default to the foreign carriers. Such a situation is wholly at odds with our national interest or the intent of the President in approving the CAB awards to *both* U.S. and foreign charter carriers.

The purpose of S. 3566 is to clarify Congress' intent to authorize the Civil Aeronautics Board to grant to supplemental carriers inclusive tour charter authority. This purpose was ably stated by Senator Monroney in the *Congressional Record* of May 29, 1968, the day he introduced S. 3566 on behalf of himself and Senator Magnuson. The reason that such a bill became necessary is due to the conflict of decisions of our Federal Courts as to whether Public Law 87-528 gave the CAB authority to authorize supplemental carriers to engage in inclusive tour services.

In your report in the 1962 legislation you made the following statement which is even more timely today :

"Since its origin, the supplemental air carrier industry has existed in an atmosphere of uncertainty from one month to the next as to whether operating authority would continue. It has been an era of continued court challenges, protracted, costly, and tedious Government deliberations, anxiety and frustration. Your committee is unanimous in its conviction that the supplemental air carriers have a vital role to play in meeting the air transportation needs of this country."

We ask you to end this uncertainty. As further insurance against more court litigation, we ask that you consider certain amendments to S. 3566. One amendment would eliminate the word "charter" in line 6 and substitute the word "and" for "including" on the same line.

The question of whether an inclusive tour is a charter has been the crux of our present legal entanglements. The amendments aim to give the Board the maximum discretion to certificate inclusive tours under regulations prescribed by it. The restrictions placed upon an inclusive tour trip would actually delimit inclusive tour trips from regular individually ticketed point-to-point transportation as the Board thought necessary from time to time under varying circumstances in order to control any significant diversion from the route carriers.

We also suggest an amendment which would insert a period after "Board" on line 1 of page 2 and strike everything in that section after "Board." This would eliminate a definition of inclusive tour charter trips and simply leave the whole matter to the Board.

We, therefore, believe that the *status quo* in this regard is maintained by preserving the Board's latitude to deal with new circumstances that might arise.

More important is the fact that the certificates issued for inclusive tour authority are experimental and will, therefore, be reviewed in a couple of years. Because of their experimental nature, it seems desirable to give the Board the fullest freedom to adjust its regulations in accordance with the restrictions of the experiment rather than to freeze the type of marketing in the statute.

Finally, it is believed that the more clearly the Congress turns over the job of inclusive tours to the Board to control and evolve by regulation the less chance there is of further litigation on the question of legislative intent.

Amid all the claims and counterclaims of the supplementals and the trunk carriers, one point emerges loud and clear. The Board and the President after conscientious and objective deliberation authorized inclusive tours on the basis of public needs which included a balancing of the interest of the supplementals versus the trunk carriers. The Board and the President's action has been frustrated in the Courts. Only the Congress, at this stage, can preserve the public interest. I hope you will approve what the Board and the President have done.

I would like to sincerely thank the Committee for this opportunity to appear on this important subject.

EXHIBIT 1

U.S. AIRLINE INDUSTRY—COMPOSITION OF REVENUES AND PROFITS, 1967 AND 1966

[Dollar amounts in thousands]

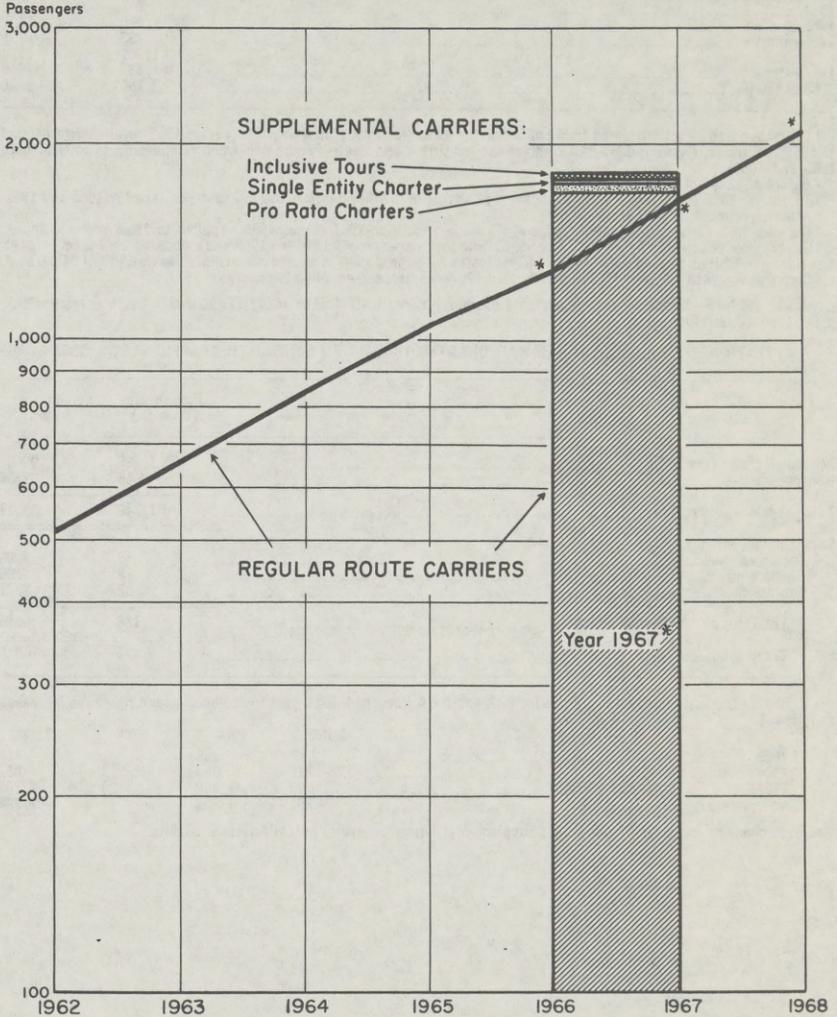
	Total operating revenues				Total net profit			
	1967		1966		1967		1966	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Domestic trunks and International flag carriers.....	\$6,164,177	86.5	\$5,118,494	86.1	\$414,509	93.3	\$385,848	86.3
U.S. supplementals.....	263,292	3.7	212,491	3.6	21,070	4.7	22,497	5.0
Total ¹	7,124,305	100.0	5,948,132	100.0	444,474	100.0	446,994	100.0

¹ Includes local service, all cargo, Alaskan, Hawaiian, helicopter, domestic trunks, international flag carriers and supplementals.

Source: CAB form 41 reports and published financial data for Capitol International Airways, ONA, Saturn Airways, TIA, and World Airways.

MAINLAND-HAWAII TRAFFIC, 1962-1968

Indicating that Inclusive Tour Traffic could not have constituted any significant diversion from Scheduled Traffic, but rather supplemented it.



*Estimated (per page 2)

EXHIBIT 2
GROWTH OF MAINLAND-HAWAII TRAFFIC—REGULAR ROUTE CARRIERS' TRAFFIC
[In thousands]

Year	Total	Growth over prior year (percent)
1962.....	514	
1963.....	651	+26.7
1964.....	847	+30.1
1965.....	1,090	+28.7
1966 estimate.....	1,233	2 +13.1
1967 estimate.....	1,301	4 +19.4
1968 estimate.....	1,698	6 +30.5
1968 estimate.....	2,156	8 +27.0

¹ Estimate based on all originated traffic at Honolulu—UAL plus PAA plus NWA, 1966 versus 1965, with change applied to 1965 per above. (Assumption: PAA originations for Orient and South Pacific had same relationship to total in both 1965 and 1966).

² Before adjustment for strike.

³ 3d quarter 1966 traffic adjusted to equal same relationship to other quarters in 1966 as experienced in 1965 and 1967.

⁴ After adjustment for strike.

⁵ Increase in 3 carriers' originated traffic at Honolulu and Hilo—1967 versus 1966—applied to 1966 estimate above.

⁶ Growth over unadjusted figure is 37.7 percent. Note that above growth between 1965 and estimated 1967 is 56 percent. The Hawaiian Visitors Bureau data for 1965-67 indicates a 2-year growth in westbound visitors "to Hawaii" of 64 percent.

⁷ Compound growth between 1962 and estimated 1967—27 percent—applied to estimated 1967.

Source: 1962-65—Recommended decision of examiner Park; CAB docket 16242 (Transpacific route investigation), p. 57; 1966-68, see footnotes.

RELATIONSHIP OF MAINLAND-HAWAII CHARTER TRAFFIC TO SCHEDULED TRAFFIC FLOWS, 1967

	Passengers (O. & D.)	Percent of total
Scheduled traffic (per p. 2).....	1,698	90.61
Nonscheduled.....	148	2.56
Total, regular route carriers.....	1,746	93.17
Supplemental carriers:		
Inclusive tours.....	58	3.09
Single entity charters.....	18	.96
Prorata charters.....	52	2.77
Total, supplemental carriers.....	128	6.83
Grand total.....	1,874	100.0

¹ United's experience doubled to provide for PAA and NWA Nonscheduled flights from Honolulu and Hilo have increased as follows:

	United	PAA	NWA	Total
1965.....	12	399	7	418
1966.....	235	624	23	882
1967.....	440	1,742	20	2,202
Year Mar. 31, 1968.....	361	1,856	11	2,228

Source: Scheduled carriers: CAB form 41; Supplemental carriers: Reports to NACA from 6 carriers.

EXHIBIT 3

PART 378—INCLUSIVE TOURS BY SUPPLEMENTAL AIR CARRIERS, CERTAIN FOREIGN AIR CARRIERS, AND TOUR OPERATORS *

[[12,651]]

Subpart A—General Provisions		Sec.	
378.1	Applicability.	378.13	Tour Prospectus.
378.2	Definitions.	378.14	Charter contract.
378.3	Exemption.	378.15	Tariffs to be filed for charter trips.
378.4	Approval of certain interlocking relationships.	378.16	Surety bond.
378.5	Effect of exemption on antitrust laws.	378.17	Contract between tour operators and tour participants.
378.6	Suspension of exemption authority.	378.18	Procedure applicable to periods on or after January 1, 1968.
Subpart B—Conditions and Limitations		Subpart C—Post Tour Reporting Requirements	
378.10	Requirement of a Statement of Authorization.	378.20	Post tour reporting.
378.11	Procedure for obtaining a Statement of Authorization.	Subpart D—Miscellaneous	
378.12	Statement of Tour Operator's Qualifications.	378.30	Waiver.
		378.31	Enforcement.

AUTHORITY: The provisions of this Part 378 issued under sections 101(3), 204(a), 401, 409 and 414 of the Federal Aviation Act of 1958, as amended (72 Stat. 737; 49 U. S. C. 1301; 72 Stat. 743; 49 U. S. C. 1324; 72 Stat. 754 as amended by 76 Stat. 143; 49 U. S. C. 1371; 72 Stat. 768; 49 U. S. C. 1379; 72 Stat. 770; 49 U. S. C. 1384) and section 7 of Public Law 87-528 (76 Stat. 146; 49 U. S. C. 1371).

Subpart A—General Provisions

[[12,652]]

§ 378.1 **Applicability.** This part establishes the terms and conditions governing the furnishing of inclusive tours in interstate, overseas and foreign air transportation by supplemental air carriers, certain foreign air carriers, and tour operators. This part also relieves tour operators from various provisions of the Act and the Board's regulations for the purpose of enabling them to provide inclusive tours to members of the general public utilizing aircraft chartered from supplemental air carriers and certain foreign air carriers. The provisions of this regulation shall not be construed as limiting any other authority to engage in air transportation issued by the Board. Nothing contained in this part shall be construed as repealing or amending any provision of any of the Board's regulations, unless the context so requires.

[§ 378.1 as amended by Amendment No. 2, effective November 26, 1966, 31 F. R. 12948; Amendment No. 3, effective July 29, 1967, 32 F. R. 9223.]

[[12,653]]

§ 378.2 **Definitions.** As used in this part, unless the context otherwise requires—

(a) "Inclusive tour charter" means the charter of an entire aircraft by a tour operator for the carriage by a supplemental air carrier of persons traveling in air transportation on inclusive tours.

(b) "Inclusive tour" means a round-trip tour which combines air transportation pursuant to an inclusive tour charter and land services, and which meets all of the following requirements:

(1) A minimum of seven (7) days must elapse between departure and return;

(2) The land portion of the tour must provide overnight hotel accommodations at a minimum of three places other than the point of origin, such places to be no less than 50 air miles from each other;

(3) The tour price shall include, at a minimum, all hotel accommodations and necessary air or surface transportation between all places on the itinerary, including transportation to and from air and surface carrier terminals utilized at such places other than the point of origin;

(4) The charge to the passengers for the tour, as set forth in the tour prospectus, shall be not less than 110 percent of any available fare or fares charged by a certificated route air carrier or combination of such carriers (including charge for stopovers) for individually ticketed service on the circle route beginning at the point of

* As issued, effective May 13, 1966, 31 F. R. 4779; title amended by Amendment No. 3, effective July 29, 1967, 32 F. R. 9223.

origin, to the various points where stopovers are made, and return to the point of origin, provided that the tour shall be subject to the terms and conditions which are applicable to such fare or fares, as set forth in the tariff of the certificated route carrier or carriers. For purposes of this provision, the term "available fare" includes promotional or discount fares, such as family fares, children's fares, excursion fares, fares applicable to special classes of persons, group fares, etc. Where similar promotional or discount fares are offered on both jet and propeller aircraft, the available fare shall be that charged for jet service. Where no regularly scheduled service is provided between the points involved, the available fare shall be based on the fares to the nearest point served by a certificated route air carrier; and

(5) An aircraft under charter to one tour operator may carry a maximum of three tour groups, provided that if more than one group is carried each of the groups shall consist of 40 or more tour participants.

(c) An "inclusive tour group" means an aggregate of persons who are assembled by a tour operator for the purpose of participation as a single unit in an inclusive tour.

(d) "Tour operator" means any person (other than a direct air carrier) authorized hereunder to engage in the formation of groups for transportation on inclusive tours.

(e) "Tour participant" means a member of the inclusive tour group.

(f) "Supplemental air carrier" means (1) a supplemental air carrier as defined in § 200.8 of this chapter (Board's Economic Regulations) and authorized under section 7 of Public Law 87-528 or section 401(d)(3) of the Act to perform inclusive tour charters, or (2) a foreign air carrier which holds a permit issued under section 402 of the Act authorizing it to perform inclusive tour charters, but only to the extent that such tours are to be performed subject to the provisions of this regulation.

(g) "Tour price" means the total amount of money paid by the tour participant to the tour operator for the inclusive tour.

[§ 378.2 as amended by Amendment No. 1, effective May 13, 1966, 31 F. R. 6621; Amendment No. 2, effective November 26, 1966, 31 F. R. 12948; Amendment No. 3, effective July 29, 1967, 32 F. R. 9223.]

[§ 12,654]

§ 378.3 Exemption. Subject to the provisions of this part and the conditions imposed, tour operators are hereby relieved from the following provisions of Title IV

of the Federal Aviation Act of 1958, as amended, to the extent necessary to permit them to provide inclusive tours:

Section 401.

Section 403.

Section 404(a), except the requirement to provide safe and adequate service, equipment and facilities in connection with tours operated hereunder.

Section 405(b).

Section 407(b) and (c).

Section 408(a) and 409, except control or interlocking relationships with direct air carriers.

Section 412.

[§ 12,655]

§ 378.4 Approval of certain interlocking relationships. To the extent that any officer or director of a tour operator would be in violation of any of the provisions of section 409(a) (3) and (6) by participating in interlocking relationships covered by the exemption granted by § 378.3, such participation is hereby approved by the Board.

[§ 12,656]

§ 378.5 Effect of exemption on antitrust laws. The relief granted by §§ 378.3 and 378.4 from sections 408, 409, and 412 of the Act shall not constitute an order under such sections within the meaning of section 414 of the Act, and shall not confer any immunity or relief from operation of the "antitrust laws" or any other statute (except the Act) with respect to any transaction, interlocking relationship, or agreement otherwise within the purview of such sections.

[§ 12,657]

§ 378.6 Suspension of exemption authority. The Board reserves the power to suspend the exemption authority of any tour operator, without hearing, if it finds that such action is necessary in order to protect the rights of the traveling public.

Subpart B—Conditions and Limitations

[§ 12,658]

§ 378.10 Requirement of a Statement of Authorization. No inclusive tour or series of tours scheduled to commence on or before December 31, 1968, shall be operated, nor shall any tour operator sell or offer to sell, solicit, or advertise such tour or tours, unless there shall be in effect a Statement of Authorization issued by the Board authorizing the specific tour or series of tours.

[§ 378.10 as amended by Amendment No. 4, effective August 15, 1967, 32 F. R. 11986.]

[§ 12,659]

§ 378.11 Procedure for obtaining a Statement of Authorization. (a) Applications for a Statement of Authorization shall be filed with the Civil Aeronautics Board (Di-

rector, Bureau of Operating Rights) jointly by the supplemental air carrier and the prospective tour operator at least 90 days in advance of the date of commencement of the proposed tour or series of tours. If a series of tours is to be operated for one tour operator pursuant to one charter contract, the application may cover the entire series, provided that the elapsed time between the commencement of the first tour and the completion of the last tour shall not be more than 180 days. Late filing of the application will not be permitted except for good cause shown.

(b) The application shall be signed by a duly authorized officer of both the supplemental air carrier and the tour operator and shall include the Statement of Tour Operator's Qualifications and the Tour Prospectus.¹ In the event of any change in the facts as reflected in the application, an amended application shall be filed no later than five (5) days following such change.

(c) Copies of the application shall be served upon each direct air carrier certificated to provide passenger service between any of the points involved in the proposed tour or tours, and on such other persons as the Board may require, and proof of such service shall accompany the application as provided in § 302.8 of this chapter. Answers to the application may be filed by interested persons no later than 10 days thereafter and shall conform to the requirements of § 302.1022(a) and (b) of this chapter.

(d) If the Board finds that the proposed tour or tours comply with the requirements of this regulation and that the tour operator applicant is properly qualified, it will issue a Statement of Authorization for the conduct of the tour or tours set forth in the application. Among the factors which the Board will consider in determining whether the tour operator applicant is properly qualified to engage in the proposed tour operation are its financial resources, prior experience in the transportation business, and any other information bearing upon the ability of the applicant to perform successfully the proposed operations. The Statement of Authorization may be conditioned or limited by the Board in order to assure compliance with the requirements of this regulation.

(e) Deviations from the tour or tours authorized by the Board may not be made

without Board permission except where they are compelled by circumstances beyond the control of the carrier or tour operator and there is insufficient time to request Board permission therefor.

[§ 378.11 as amended by Amendment No. 1, effective May 13, 1966, 31 F. R. 6621.]

[§ 12,660]

§ 378.12 Statement of Tour Operator's Qualifications. The Statement of Tour Operator's Qualifications shall be in the form set forth in the appendix. A tour operator who has filed a Statement of Tour Operator's Qualifications in connection with one application may, with respect to subsequent applications, file a statement to the effect that the facts contained in his previously filed Statement of Qualifications have not changed, except as set forth in the later statement.

[§ 378.12 as amended by Amendment No. 1, effective May 13, 1966, 31 F. R. 6621.]

[§ 12,661]

§ 378.13 Tour Prospectus. The Prospectus shall include copies of the charter contract, the contract between the tour operator and tour participants, and the tour operator's surety bond, and shall contain the following information:

- (a) Name and address of the tour operator;
- (b) The proposed date and time of each flight;
- (c) Equipment to be used, including the aggregate number of each type of aircraft and capacity;
- (d) The tour itinerary, including hotels (name and length of stay at each), and sightseeing or other arrangements, if any;
- (e) The tour price per passenger;
- (f) The number of persons expected to participate in the tour;
- (g) Charter price of the aircraft;
- (h) The individually ticketed air fare, computed as provided in § 378.2(b)(4);
- (i) Samples of solicitation material proposed by the tour operator (all sales advertising and solicitation materials employed by the tour operator shall state the name of the supplemental air carrier to be utilized).

¹ Whoever, in any matter within the jurisdiction of any department or agency of the United States, knowingly and willingly falsifies, conceals or covers up by any trick, scheme or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or

makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than five years, or both. Title 18, U. S. C., § 1001.

[§ 12,662]

§ 378.14 **Charter contract.** The charter contract between the tour operator and the supplemental carrier shall evidence a binding commitment on the part of the carrier to furnish the air transportation required for the tour or tours covered by the contract.

[§ 12,663]

§ 378.15 **Tariffs to be filed for charter trips.** No supplemental air carrier shall perform any charter trips for inclusive tours unless such air carrier shall have on file with the Board a currently effective tariff showing all rates, fares, and charges for such charter trips and showing the rules, regulations, practices, and services in connection with such transportation.

[§ 12,664]

§ 378.16 **Surety bond.** (a) Except as provided in paragraph (b) of this section, the tour operator shall furnish a surety bond in an amount of not less than twice the amount of the charter price for the air transportation to be furnished in connection with such tour: *Provided, however,* That the liability of the surety to any tour participant shall not exceed the tour price.

(b) The supplemental air carrier and the prospective tour operator may elect, in lieu of furnishing a surety bond as provided under paragraph (a) of this section, to comply with the requirements of subparagraphs (1) and (2) of this paragraph as follows:

(1) The tour operator shall furnish a surety bond in a minimum amount of \$10,000 per flight up to a maximum amount of \$100,000 for a series of 10 or more flights, for the protection of the tour participants, the bond to continue in effect until completion of the tour or series of tours: *Provided, however,* That the liability of the surety to any tour participant shall not exceed the tour price.

(2) The supplemental air carrier and tour operator shall enter into an agreement with a designated bank, the terms of which shall include the following: (i) Each tour participant shall pay for his deposit and subsequent payments comprising the tour price only by check or money order payable to such bank which shall maintain a separate account for each tour; *Provided, however,* That if the tour participant makes a cash deposit, the tour operator or travel agent who receives such cash deposit shall forthwith remit to the designated bank a check for the full amount of the deposit without deduction of commission; (ii) the bank shall not pay the supplemental air carrier the charter price

for the transportation earlier than two banking days preceding the scheduled day of departure of the originating or returning flight, upon certification of the departure date by the supplemental air carrier; (iii) the bank shall reimburse the tour operator for refunds made by the latter to the tour participant upon written notification from the tour operator; (iv) if the tour operator or the supplemental air carrier notifies the bank that a tour has been canceled, the bank shall make the applicable refunds directly to the tour participants; and (v) except as provided in subdivision (iii) of this subparagraph, the bank shall not pay any funds from the account to the tour operator prior to 2 banking days after completion of each tour, when the balance in the account shall be paid to the tour operator, upon certification of the completion date by the supplemental air carrier. As used in this subparagraph, the term "bank" includes a bank, savings and loan association, or other financial institution insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

(c) The bond required under paragraphs (a) and (b)(1) of this section shall insure the financial responsibility of the tour operator and the supplying of the transportation and all other accommodations, services, and facilities in accordance with the contract between the tour operator and the tour participants, and shall be in the form set forth in the appendix attached to Part 378. Such bond shall be issued by a reputable and financially responsible bonding or surety company which is legally authorized to issue bonds of that type in the State in which the tour originates. For purposes of this section, the term "State" includes any territory or possession of the United States, or the District of Columbia. The Board will consider that a bonding or surety company is prima facie qualified under this section if such company's surety bonds are accepted by the Interstate Commerce Commission under 49 CFR 174.8, and if such company is listed in Best's Insurance Reports (Fire and Casualty) with a general policyholders' rating of "A" or better. If the bond does not comply with the requirements of this section, or for any reason fails to provide satisfactory or adequate protection for the public, the Board will notify the supplemental air carrier and the tour operator, by registered or certified mail, stating the deficiencies of the bond. Unless such deficiencies are corrected within the time set forth in such notification, the subject tour or tours shall in no event be operated.

(d) The bond required by this section shall provide that unless the tour participant files a claim with the tour operator within sixty (60) days after completion of the tour, the surety shall be released from all liability under the bond to such tour participant. The contract between the tour operator and the tour participant shall contain notice of this provision.

[§ 378.16 as amended by Amendment No. 5, effective March 23, 1968, 33 F. R. 3273.]

[§ 12,665]

§ 378.17 **Contract between tour operators and tour participants.** Where each participant in a tour receives the same accommodations, land tours, etc., the contract between the tour operator and the tour participants shall be the same. Contracts between tour operators and tour participants shall include provisions concerning the following matters:

(a) Method of payment, e. g., installment payments;

(b) Refunds in the event of the tour's cancellation or the passenger's change in plans;

(c) Carriers' liability limitations for passengers' baggage;

(d) Aircraft equipment substitutions;

(e) Seating accommodations; and

(f) Nonperformance of tour because of insufficient number of participants.

(g) Unless the tour participant files a claim with the tour operator within sixty (60) days after completion of the tour, the surety shall be released from all liability under the bond to such tour participant (see § 378.16(d)).

[§ 378.17 as amended by Amendment No. 5, effective March 23, 1968, 33 F. R. 3273.]

[§ 12,666]

§ 378.18 **Procedure applicable to periods on or after January 1, 1969.** (a) No inclusive tour or series of tours scheduled to commence on or after January 1, 1969, shall be operated, nor shall any tour operator sell or offer to sell, solicit, or advertise such tour or tours, unless there is on file with the Board a Tour Prospectus satisfying the requirements of § 378.13. If a series of tours is to be operated for one tour operator pursuant to one charter contract, the Prospectus may cover the entire series, provided the elapsed time between the commencement of the first tour and the completion of the last tour shall not be over 180 days. The Tour Prospectus shall be filed

at least 60 days before the commencement of the tour or tours. Late filing of the Prospectus will not be permitted except for good cause shown.

(b) In the event of any change in the facts as reflected in the Prospectus, an amended Prospectus shall be filed no later than five (5) days following such change. Deviations from the Tour Prospectus, or the amended Prospectus, may not be made except where they are compelled by circumstances beyond the control of the carrier or tour operator and there is insufficient time to file an amended Prospectus.

[§ 378.18 as amended by Amendment No. 1, effective May 13, 1966, 31 F. R. 6621; Amendment No. 4, effective August 15, 1967, 32 F. R. 11986.]

Subpart C—Post Tour Reporting Requirements

[§ 12,667]

§ 378.20 **Post tour reporting.** (a) Within 30 days after completion of a tour or in the case of a series of tours, the last of the series, the supplemental air carrier and tour operator shall jointly file with the Board (Supplementary Services Division, Bureau of Operating Rights) a post tour report. This report shall indicate whether or not the tours as authorized hereunder were, in fact, performed. To the extent that the operations differed from those authorized under § 378.11 or described in the Prospectus filed under § 378.18, such differences shall be fully detailed including the reasons therefor. However, the making of such an explanation shall not of itself operate as authority for or excuse any such deviation.

(b) The supplemental air carrier shall promptly notify the Board regarding any tours covered by a Statement of Authorization, or a Tour Prospectus filed under § 378.18, that are later canceled.

[§ 378.20 as amended by Amendment No. 1, effective May 13, 1966, 31 F. R. 6621.]

Subpart D—Miscellaneous

[§ 12,668]

§ 378.30 **Waiver.** A waiver of any of the provisions of this regulation may be granted by the Board upon its own initiative, or upon the submission by a supplemental air carrier of a written request therefor, provided that such a waiver is in the public interest and it appears to the Board that special or unusual circumstances warrant

a departure from the provisions set forth herein.

[§ 12,669]

§ 378.31 Enforcement. In case of any violation of the provisions of the Act, or this part, or any other rule, regulation, or order issued under the Act, the violator may be subject to a proceeding pursuant to sections 1002 and 1007 of the Act before the Board or a U. S. District Court, as the case may be, to compel compliance therewith, to civil penalties pursuant to the provisions of section 901(a) of the Act, or, in the case of willful violation, to criminal penalties pursuant to the provisions of section 902 (a) of the Act; or other lawful sanctions.

NOTE: The reporting requirements contained herein have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

[§ 12,670]

[Verification form deleted by Amendment No. 1, effective May 13, 1966, 31 F. R. 6621.]

[§ 12,671]

Statement of Tour Operator's Qualifications Under Part 378 of the Special Regulations of the Civil Aeronautics Board (14 CFR Part 378)

1. Identification of tour operator applicant:

(a) Name:

(b) Trade names:

(c) Name in which applicant wishes to be issued the Statement of Authorization:

2. Address of principal office:

3. Mailing address:

4. Form of organization: Corporation; Partnership; Sole Proprietorship; Other (Specify):

5. State in which incorporated or under whose laws company is authorized to operate:

6. Date of incorporation or formation of company:

7. Full name, address, title, citizenship (country) and percent of stock or other interest of officers, owners, or members of applicant, and owners of more than 5 percent of outstanding stock of corporation or owners of more than 5 percent of company if other than corporation:

8. Full name, address, citizenship (country) and percent of stock or other interest of directors of applicant:

9. Percent of voting interest owned or controlled by citizens of the United States or one of its possessions: 75 percent or more; Less than 75 percent.

10. If more than 5 percent of applicant's stock is held by a corporation, percent of voting interest in such corporation owned or controlled by citizens of the United States or one of its possessions: 75 percent or more; Less than 75 percent.

11. Description of current business activities and length of time engaged therein:

12. Description of previous business experience related to transportation activities and dates engaged therein:

13. Kind of operating authority (such as broker, surface or air freight forwarder, motor carrier, ocean freight forwarder, etc.) issued to applicant by the U. S. Government, including (a) permit, registration or certificate number, or other evidence of registration, (b) issuing agency, and (c) effective dates of license held:

14. Has any operating authority or registration included in item 13, above, been revoked, canceled, suspended or otherwise terminated? Yes No

If "yes," give reasons:

15. Description of previous business experience of applicant's officers, managers and key personnel in air transportation or other transportation:

16. State any additional information or comments as desired in support of the application:

17. Give a brief account of any arrangement through which applicant will have available to it the financial resources and facilities of other companies or individuals:

18. Submit with this statement, in duplicate, the most recent balance sheet of applicant. Use footnotes to explain items fully, in order to avoid time-consuming correspondence for explanation of balance sheet entries.

[§ 12,672]

Tour Operator's Surety Bond Under Part 378 of the Special Regulations of the Civil Aeronautics Board (14 CFR Part 378)*

Know all men by these presents, that we

.....
 (Name of tour operator)
 of
 (City) (State)
 as Principal (hereinafter called Principal),
 and a corpora-
 (Name of Surety)
 tion created and existing under the laws of
 the State of as Surety (here-
 (State)
 inafter called Surety) are held and firmly
 bound unto the United States of America in
 the sum of, for
 (See § 378.16 of Part 378)

which payment, well and truly to be made, we bind ourselves and our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

Whereas the Principal intends to become a tour operator pursuant to the provisions of Part 378 of the Board's Special Regulations and other rules and regulations of the Board relating to insurance or other security for the protection of tour participants, and has elected to file with the Civil Aeronautics Board such a bond as will insure financial responsibility and the supplying of transportation and other services subject to Part 378 of the Board's Special Regulations in accordance with contracts, agreements, or arrangements therefor, and

Whereas this bond is written to assure compliance by the Principal as an authorized tour operator with Part 378 of the Board's Special Regulations, and other rules and regulations of the Board relating to insurance or other security for the protection of tour participants, and shall inure to the benefit of any and all tour participants to whom the Principal may be held legally liable for any of the damages herein described.

Now, therefore, the condition of this obligation is such that if the Principal shall pay or cause to be paid to tour participants

any sum or sums for which the Principal may be held legally liable by reason of the Principal's failure faithfully to perform, fulfill, and carry out all contracts, agreements, and arrangements made by the Principal while this bond is in effect for the supplying of transportation and other services pursuant to and in accordance with the provisions of Part 378 of the Board's Special Regulations, then this obligation shall be void, otherwise to remain in full force and effect.

The liability of the Surety with respect to any tour participant shall not exceed the tour price (as defined in Part 378 of the Board's Special Regulations) paid by or on behalf of such participant.

The liability of the Surety shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the aggregate to the penalty of the bond, but in no event shall the Surety's obligation hereunder exceed the amount of said penalty. The Surety agrees to furnish written notice to the Civil Aeronautics Board forthwith of all suits filed, judgments rendered, and payments made by said Surety under this bond.

This bond is effective the ... day of 19, 12:01 a. m., standard time at the address of the Principal as stated herein and shall continue in force until terminated as hereinafter provided. The Principal or the Surety may at any time terminate this bond by written notice to the Civil Aeronautics Board at its Office in Washington, D. C., such termination to become effective thirty (30) days after actual receipt of said notice by the Board. The Surety shall not be liable hereunder for the payment of any of the damages hereinbefore described which arise as the result of any contracts, agreements, undertakings, or arrangements made by the Principal for the supplying of transportation and other services after the termination of this bond as herein provided, but such termination shall not affect the liability of the Surety hereunder for the payment of any such damages arising as the result of contracts, agreements, or arrangements made by the Principal for the supplying of transportation and other services prior to the date such termination becomes effective. Liability of the Surety under this bond shall in all events be limited only to a tour participant or tour participants who shall within sixty (60) days after the termination of the

* As amended by Amendment No. 5, effective March 23, 1968, 33 F. R. 3273.

particular tour described herein give written notice of claim to the tour operator and all liability on this bond shall automatically terminate sixty (60) days after the termination date of the particular tour covered by this bond except for claims filed within the time provided herein.

In witness whereof, the said Principal and Surety have executed this instrument on the day of 19

PRINCIPAL

Name
By
(Signature and title)

Witness
SURETY

Name [SEAL]
By
(Signature and title)

Witness

Only corporations may qualify to act as surety and they must establish to satisfaction of the Civil Aeronautics Board legal authority to assume the obligations of surety and financial ability to discharge them.

EXHIBIT 4.—FIFTH REPORT OF AIR TRANSPORT LICENSING BOARD (FOR YEAR ENDED 31ST MARCH, 1965) BY THE MINISTRY OF AVIATION

Presented to Parliament in pursuance of section 8(2) of the Civil Aviation (Licensing) Act, 1960. Ordered by the House of Commons to be printed 27th July, 1965

[Excerpt]

wider interest and may or may not always coincide with the particular interests of British civil aviation. But it is these particular interests which concern us, and we shall continue to exercise our functions with the furtherance of these interests as our objective.

INCLUSIVE TOUR CHARTERS

10. One matter of procedure arising from the Minister's Statement concerns the handling of applications by British operators for inclusive tour charter services on holiday routes. At the end of the year under review, we had received no formal request from the Minister to consider the simplification and expedition of our procedures in this field; but this question had in any event been engaging our attention for some considerable time.*

11. In 1961, when we first addressed ourselves to the licensing of inclusive tours, we were confronted with two rival theories. The theory of the charter companies was that I.T. charters not only catered for people who were not prepared to meet the cost of holidays based on scheduled service rates, but also had the effect, because of the especially economical facilities offered, of attracting others to air travel for the first time. Many of the latter, having been introduced to air travel in this way, would become air-minded and therefore more likely in future to use the scheduled air services as a normal means of travel in preference to rail or boat services. So far therefore from diverting traffic from the scheduled carriers, the charter operators were in the long run conferring a positive benefit upon them by providing an ever-expanding market for their services. The theory of B.E.A., on the other hand, has consistently been that it is obvious that the charter services, operating as they do at peak periods of the year, must inevitably skim off the cream of the holiday traffic which would otherwise accrue to the scheduled services.

12. On our first approach to the problem it appeared to us that to strike the right balance between these opposing views was a matter of some nicety (see paragraph 22 of our first Report). But after four years' experience of the interaction of the two types of traffic, we can find no evidence that inclusive tours have been responsible for any material diversion of traffic from the scheduled carriers. On the contrary, B.E.A.'s total passenger traffic continues to grow at much the same rate as before the inclusive tour charter traffic reached its present proportions.

13. It may be that no major change in procedure will prove necessary. We were glad to see the Minister's statement that it is not in his view desirable to apply restrictions to inclusive tour services. Our decisions on application for the services in 1965, with marginal variations of emphasis in the light of the evidence presented in respect of the several routes, clearly convey the same general view. One of the most time-consuming elements in previous hearings of these applications has been the repetitive cross-examination addressed by scheduled service operators to witnesses supporting individual applications even though the objectors conceded that their real objection was to the total of capacity applied for to particular destinations rather than to the individual applications as such. We do not seek to deny to the objectors any of their rights under the procedure laid down, but we think that, against the background of our accumulated experience, they may well reconsider the substance of their objections, or at any rate find a less onerous way of presenting their views to us. We shall review this question again in the light of experience of the 1965 hearings.

*Note: The Minister's request was conveyed to us on 8th April, 1965.

AMENDMENT OF APPLICATIONS

14. There are one or two or two more general matters of procedure on which we desire to comment in this Report. We alluded in last year's Report to the limits of our willingness to accept amendments to applications in the course of a hearing. The tendency to submit substantial amendments in this way has persisted in some degree, and we re-affirm our determination that any such amendments which in our opinion widen materially the scope of the application or change its character will not be accepted at a hearing.

PRESENTATION OF APPLICATION AND OBJECTIONS

15. We have also noted on occasion a regrettable lack of clarity and definition in both the reasons advanced for applications, and in the written grounds of objection. We recognize that the case for an application can seldom be presented comprehensively on an application form; and that, in framing his grounds of objection in writing, an objector can have regard only to that amount of detail of an application that is published in our Licensing Notices. We appreciate also that additional grounds of objection, and additional counter-arguments in defence of an application, can and often do arise the course of a hearing. By no means, therefore, do we expect that the respective written submissions will necessarily embrace all the factors involved. But that is no reason why, as sometimes happens, virtually no reasons are advanced in the application form for the submission of the application; or, in the case of objections, little or no attempt is made to state the specific grounds on which the objection is based. We, and potential objectors, are entitled to know ab initio what purpose a proposed service is intended to serve. Similarly, in the case of objections, a mere reproduction of all the possible grounds of objection arising from Section 2 (2) of the Act may leave a comfortable freedom of selection on the day, but is patently unfair to the applicant and not helpful to us.

16. It is our view that the requirements of the normal procedure, in asking for a concise indication, in the case of application, of the existing or potential need or demand for the proposed service and a concise statement, in the case of objections, of the grounds on which the objection is based are essentially reasonable; and we cannot be expected to countenance non-compliance with these requirements which, in the generally of cases, seems to result not so much from any intrinsic difficulty as from an absence of any real effort to comply. In voicing this criticism we should like to make it clear that it is only a minority of cases to which reference is intended; and we do not mean to imply that, for the most part, applicants and objectors do not co-operate fully in facilitating the discharge of our task.

"DUPLICATE" APPLICATIONS

17. During the year we heard a small number of applications for inclusive four services which virtually duplicated applications we had already refused and were therefore, in effect, appeals against our decisions. In two cases, for special reasons, we granted the later applications; and, if only on this account, we can

 EXHIBIT 5.—SIXTH REPORT OF AIR TRANSPORT LICENSING BOARD (FOR YEAR ENDED 31ST MARCH 1966) BY THE MINISTRY OF AVIATION

(Presented to Parliament in pursuance of section 8(2) of the Civil Aviation (Licensing) Act, 1960. Ordered by The House of Commons to be printed 29th July 1966)

[Excerpt]

aircraft of accepted and continuing popular appeal are rendered obsolete before the cost of buying them has been written off out of the revenue they earn.

17. Whether the public would demand this rate of technical change if it were not persuaded to do so is open to question, but it has been so persuaded and the funds for the necessary capital investment have therefore to be provided. This requires, as we have said, a rate of profit on current operations at least commensurate with normal commercial expectations.

18. We do not ignore the greater earning power, and lower unit operating costs, of the newer aircraft, or the general rate of progress in efficiency and productivity that is possible in this young and rapidly growing industry. So far as it is within our power to do so, we shall try to ensure that these are

reflected in lower costs of operation. But our concern here is to emphasise that air transport cannot provide the kind of service the public now demands if it is denied the financial resources needed to do so.

19. These considerations must inevitably influence our response to applications from airlines for authority to raise fares, though, as well be apparent from the account later in this Report of our decisions in an important domestic tariff case heard during the year, we intend to weigh them very carefully against all the other elements in the prevailing tariff situation and to authorise fare increases only where no other solution seems possible.

INCLUSIVE TOUR CHARTERS

20. We have continued to follow an increasingly liberal policy in the granting of licenses for Inclusive Tours. In paragraphs 11 and 12 of our Fifth Report we described how we had over the years come to the conclusion that there was no evidence that Inclusive Tours had been responsible for any material division of traffic from the scheduled carriers. In the light of this conclusion we did not think it necessary to impose in 1965, as we had done in previous years, any limit on the capacity we granted for the operation of Inclusive Tours in the summer of 1966, provided that we were satisfied that a need and demand existed and that the applicant airline and his associated tour organizer or organizers were capable of carrying out the programme they described to us.

21. As a result of this liberal policy, and the energy and initiative of airlines and tour organisers, there has been a remarkable growth (shown in Table 1 below) in this kind of traffic during the five years of this Board's existence.

22. We also referred in our last Report to the procedure for handling the many hundreds of applications for such services that we receive each year. We are grateful to objectors who have facilitated this task by presenting their views in a far less time-consuming manner. We have every confidence that if this co-operation is continued we shall be able to deal even more expeditiously with these applications in 1966. We have simplified the procedure for reporting the results achieved on services licensed for the current year and associating these with applications to operate similar services in 1967. We do not expect that there will be many objections to applications for licenses for the virtual repetition of established operations, and we should therefore be able to dispose of these with the minimum of formality.

TABLE 1.—INCLUSIVE TOUR CHARTER PASSENGERS SUMMER SEASONS 1961-65

[Passengers in thousands]

	Outward passengers carried		
	All airlines	United Kingdom airlines	Foreign airlines
1961.....	295	225	70
1962.....	352	222	130
Percent increase over 1961.....	+20	-1	+87
1963.....	441	261	180
Percent increase over 1962.....	+25	+18	+38
1964.....	592	397	195
Percent increase over 1963.....	+34	+52	+8
1965.....	744	555	188
Percent increase over 1964.....	+26	+40	-3

Source: Ministry of Aviation.

23. This should go some way towards meeting the view sometimes expressed that licences for Inclusive Tour operations should be granted for a longer period than one year, because a presumption will be established that the continuation of successful operations will not be frustrated by any refusal on our part to grant the necessary licences. We have no objection in principle to granting Class B licences for Inclusive Tours for a period of more than one year, and we are prepared to do so whenever satisfactory assurances of continuity of operation over the longer period are provided. But, as pointed out in paragraph 100 of our Fifth Report, there is little point in our considering applications for licences

extending over a period of years if the relationship between the air operator and the tour organiser is such that they cannot even produce evidence of firm arrangements in respect of the first year's programme.

24. The duration of Inclusive Tour licences was raised with us during the year under review in a representation made under Section 4 of the Act by the British Independent Air Transport Association Ltd. This representation was primarily concerned, however, with the question of minimum tariffs for Inclusive Tour holidays. It has been our general practice hitherto to prescribe Standard Tariff Provision I. This requires in effect, that the charge for an Inclusive Tour holiday using air transport shall not be less than the lowest fare that would have to be paid an ordinary member of the public wishing to travel by scheduled service to the same destination on the same date and at the same time of day. The B.I.A.T.A. representation urged that this rule was too restrictive, and that in certain cases, particularly winter holidays, a relaxation would enable a large new market to be developed, to the benefit not only of the airlines but also of those who, for the first time, would be able to afford a holiday in, for example, the Mediterranean area. The Association contended that Inclusive Tour operations and normal scheduled services catered for distinct traffic-generating markets, and that Provision I should be applied only where it could be demonstrated that any concession would result in a material diversion of traffic from an established scheduled service.

25. It was evident to us that this was a point of view that would not receive universal acceptance, and we therefore thought it right that all interested persons should be given an opportunity of expressing their views. Therefore with the agreement of the Ministry of Aviation—the Minister having ultimate authority over international fares—we published the B.I.A.T.A. representation in our official record (Civil Aviation Licensing Notices) and invited written evidence relating to the matters raised in the representation or directed towards a number of relevant matters.

26. We received in response to this invitation a considerable number of replies, expressing a wide divergence of views. These we are now considering and we expect to be able very shortly to report to the Minister, as required by the Act, our conclusions and any recommendations we may think it expedient to make.

SUBMISSION OF APPLICATIONS

27. Regulations 4 and 5 require that applications for the grant, revocation suspension or variation of licences, or for the variation of the United Kingdom Domestic Air Tariff, shall be served on the Board not less than a specified period, in the more important cases six months, before the date on which the licence, revocation, suspension or variation is intended to come into effect.

28. Regulation 4 also provides that we may, if we think fit, consider an application notwithstanding the fact that the prescribed notice has not been given. When we first took up our duties, and our procedures were unfamiliar, we thought it right to be generous in the exercise of this discretion. We have continued to show the same forbearance even though this situation no longer exists. In the last year however this has led to a growing disregard for these provisions, and by the end of the year the number of late applications, on which applicants expected an early decision, became such that our administrative procedures were disrupted and applications submitted in accordance with the Regulations were being delayed.

29. We therefore wish it to be known that from now on we shall expect a stricter compliance with paragraphs (4) to (6) of Regulation 4, and that applications that do not give the prescribed period of notice may not be accepted for consideration.

30. We shall still be prepared to exercise our discretion under paragraph 7 of Regulation 4 in cases where the applicant can show that he was unable, for reasons beyond his control, to make his application earlier, and that the public interest requires an early decision. Where we are satisfied that the case is one where our discretion should properly be exercised we shall hear and decide the application as quickly as possible; but we can give no undertaking that applications so accepted will be decided by a particular date, or given precedence over others that have been submitted in accordance with the Regulation.

EXHIBIT 6.—SEVENTH REPORT OF AIR TRANSPORT LICENSING BOARD

(for the year ended 31st March 1967)

(Presented pursuant to section 8(2) of the Civil Aviation (Licensing) Act 1960.
Ordered by the House of Commons to be printed 27th July 1967)

SECTION 3.—INCLUSIVE TOUR CHARTERS

General

40. While the general pattern of inclusive tour operations in 1966 showed little change from that of the preceding year, it will be seen from Table 3 below that the growth trend of summer traffic noted in our sixth report was not merely maintained but moved sharply upwards, particularly in respect to carryings by United Kingdom airlines.

TABLE 3.—INCLUSIVE TOUR CHARTER TRAFFIC (OUTWARD PASSENGERS CARRIED), SUMMER SEASONS: 1961 TO 1966

[Numbers in thousands]

	All airlines	Percent	United Kingdom airlines	Percent	Foreign airlines	Percent
1961	295		225		70	
1962	352		222		130	
Increase or decrease		+20		-1		+87
1963	441		261		180	
Increase or decrease		+25		+18		+38
1964	592		397		195	
Increase or decrease		+34		+52		+8
1965	744		555		188	
Increase or decrease		+26		+40		-3
1966	1,090		898		192	
Increase or decrease		+47		+62		+2

Source: Board of Trade.

41. We continued to follow a liberal policy in granting licences for these tours and were assisted in our procedures by most applicant airlines and associated tour organisers both by the orderliness of their applications and by the detail of their reports of results achieved and expected on services being operated during the 1966 summer season. We were thus able to grant almost half the applications submitted without the need for a public hearing, and to dispose of the remainder during 16 days of main hearings, compared with 25 in 1965 and 35 in 1964, for both winter and summer season applications.

42. We have studied possible means of reducing still further the time taken in considering inclusive tour applications, and also the number of appearances before us of applicants and tour organisers. We examined whether we might not achieve these aims by grouping applications under tour organisers rather than under areas of destination, but we concluded that this would mean holding up our decisions until the complete programme of hearings had been completed. We are well aware of the tour organisers' need to know our decisions at the earliest opportunity, and with our present procedure we are able to issue these fairly soon after the hearings of each regional group of applications. We concluded that tour organisers would not wish us to delay our decisions, even at the gain of a few less attendances at hearings, and for at least our next programme we decided to continue our existing practices. We shall however deal with inclusive tour applications speedily, whenever possible granting them without a public hearing; we shall be assisted in this if applications and reports of the current season's operations are submitted promptly and in clear and correct detail.

Duration of licences

43. Despite our previous comments about the duration of Class B licenses for inclusive tours (fifth report, paragraph 100: sixth report, paragraphs 22 and 23), we still receive applications for licenses for periods of more than one year, usually on the grounds that a longer term licence would provide the tour organiser with a more secure foundation for the negotiation of his forward programme. But we have not yet been provided with evidence of the firm arrangements between air operator and tour organiser that we consider necessary if we are to reconsider our attitude in this matter. Nor do we feel that the absence of a longer term licence need embarrass any tour organiser, since he can expect with confidence the grant of any licence for the virtual repetition of an established operation.

Advertisement prior to grant of licences

44. We have from time to time remarked on defects in certain tour organisers' publicity about operations for which air service licences are required. These usually take the form of an omission to note in their brochures that certain operations advertised are subject to our granting a licence, or vague statements that flights are subject to Government approval. We appreciate that final preparation of these brochures cannot always be delayed until after the receipt of our decisions on some applications, but in these circumstances the public should be warned of the conditional nature of the tours offered. We have suggested in our official record that in such cases an appropriate insertion should be made in the brochure as follows:

Bookings for these holidays involving charter flights are accepted subject to the grant of licences by the Air Transport Licensing Board, to whom applications have been made.

45. We take an even more serious view of one instance which came before us in March 1967. The tour organiser had advertised and accepted substantial bookings for summer 1967 holidays involving daytime flights at prices based

BIOGRAPHY OF GLENN A. CRAMER

Mr. Glenn A. Cramer is presently and since 1964 has been President and a Director of Trans International Airlines, Inc., a supplemental air carrier certificated by the CAB for virtually worldwide supplemental air transportation. Mr. Cramer is also Vice President and a Director of the National Carrier Association, an association of supplemental air carriers. He is a Director of Transamerica Corporation.

Mr. Cramer began his business career after his three years in the Air Force during World War II. In 1946 he joined California Eastern Airways as a flight engineer, subsequently becoming Director of Maintenance and Engineering, and later a vice president and general manager of that company.

He joined Lockheed Aircraft in 1959 as a sales manager of the transport sales division, and three years later joined Trans International as executive vice president and general manager.

Senator MONRONEY. Next is Harold S. Low, chairman of the board and president, American International Travel Service, Boston, Mass.

We are happy to have you here, Mr. Low. Would you identify your associate?

**STATEMENT OF HAROLD S. LOW, CHAIRMAN OF THE BOARD AND
PRESIDENT, AMERICAN INTERNATIONAL TRAVEL SERVICE,
ACCOMPANIED BY STEVE POTTS**

Mr. Low. This is Mr. Steve Potts. He represents us here in Washington.

Mr. Chairman, I shall try and be as brief as possible. We have some charts that we are setting up there, and I believe we have the docu-

mentation that you are seeking that represents the success of inclusive tour charters.

I am pleased to be here as the representative of tour operators throughout the country that have been developing the ITC tour program since it was authorized by the Civil Aeronautics Board. They are: AITS, Inc.; Berry World Travel; Continental Travel; ITC Corp.; Devis Agency; Inter Island Trade Wind Tours; International Tours; MTB Corp.; Rogal Travel.

First I would like to introduce myself. I am Harold S. Low, chairman of the board and president of AITS, Inc. (American International Travel Service), which is a publicly owned corporation that employs more than 400 persons in nine offices, Headquartered in Boston, we maintain service offices in nine cities, including New York, Philadelphia, Washington, Chicago, Las Vegas, San Francisco, Los Angeles, and Honolulu.

During my testimony today, which I intend to make as brief as possible, I will try to outline for you the tremendous benefits ITC's have had in creating new travelers, new markets, and year-round vacationers. In this regard, we have distributed a presentation which completely documents my review of this industry's growth and its subsequent contribution to the American public.

I believe it appropriate for me to provide you with some background on our company, as its growth parallels that of the industry.

We were founded in July of 1965 and employed five persons. Our first charter left Pittsburgh in February of 1966, at which time we were operating affinity back-to-back charters as agents through organizations such as Shrine temples, Knights of Columbus, State bar associations, and many other fraternal and professional organizations. When the inclusive-tour charter regulations went into effect in May of 1966 we began operating under this regulation. This meant that we could utilize organizations in more remote areas with smaller membership than that which could probably fill an aircraft. By knowing we could allow them to invite their friends and by our having the right to advertise to the general public, we had some assurance that we could operate the flight profitably.

Because of this regulation we operated direct flights out of areas such as Indianapolis, Baltimore, Charlotte, Charleston, Columbus, Miami, Memphis, Lincoln, Buffalo, Lansing, Fort Worth, Hartford, and other cities and States which are currently not airline gateways and did not offer direct service to the areas to which we took our vacationers. Because of heavy investments in the areas of sales, service personnel, training, imaginative packaging, and mass media advertising, we have increased our frequency during the past 2 years to the point where this summer we will operate six flights weekly on our Hawaiian carnival. It takes our vacationers on a 2-week all-inclusive tour to Las Vegas, San Francisco, and Honolulu—exhibit No. 1.¹

In addition, we have run inclusive-tour charters to Europe, South America, and our "All-Hawaiian Carnival" which visits all Hawaii—exhibit No. 2.

Beside selling fraternal and professional organizations as the nucleus of the departures our mass media advertising has resulted in ever-

¹ Exhibits mentioned will be found in subcommittee files.

increasing sales through travel agents in those 37 States from which we now operate.

Probably the most important reason for our success is that inclusive-tour charters have made accessible a virtually untapped market of inexperienced travelers who are now given an effortless way in which to enjoy a luxury vacation at a price they can afford.

In addition to creating a whole new travel market, inclusive-tour charters also resulted in another phenomenon. It seems that the promotion necessary to fill a full plane combined with word-of-mouth reports on the vacation areas—in this case, Hawaii—resulted in heightened interest in the States where this promotion took place.

I have a chart—exhibit No. 3—which graphically illustrates what I refer to. Figures used in this presentation are based on figures released by the Hawaii Visitors Bureau and records of carnival vacationers from AITS, Inc. You will note that in those areas of the country from which we operated in 1966 and 1967 that this percentage of increase of visitors to Hawaii in 1967 was far greater than the average increase from the other areas. In fact, you will note that the areas from which we did not operate in either 1966 or 1967 showed an increase of only 35.1 percent, while those States from which we did operate increased an average of 60.9 percent.

In other words, the national average increased from 1966 to 1967. Visitors to Hawaii was 43.5 percent. AITS operated inclusive tour charter flights from 37 States represented on that chart, and the increase in visitors to Hawaii was almost 61 percent, while the areas of inclusive tour charters weren't operated from, at least as far as we are concerned, was only 35 percent.

Another indication that inclusive tour charters awakened a heretofore dormant market are some tourist figures for specific States. For instance we have a chart—exhibit No. 4—showing the number of persons visiting Hawaii on a vacation who went on our carnival trip as compared to the total numbers of vacationers visiting Hawaii. By dividing the number of vacationers we took into the Hawaii Visitors Bureau figures of total visitors from each State, we came up with some pretty startling statistics. For instance, 41 percent of the vacationing tourists visiting Hawaii from Massachusetts were on the carnival flights with ITC's—and the figure was 30.6 percent for Kentucky, Pennsylvania, 28.2 percent; North Carolina, 27 percent; Connecticut and South Carolina, each 27.6 percent; Mississippi, 19.1 percent; New Jersey, 18.8 percent, Ohio, 18.3 percent; Alabama, 17.8 percent; Nebraska, 15.9 percent; New York, 14.1 percent, and five other States, Florida, West Virginia, Maryland, Georgia, and Louisiana recording over 10 percent.

Naturally supplemental airlines have benefited greatly by tour operators' promotion of inclusive tour charters. However, we find that this promotion has also greatly benefited the scheduled carriers.

For instance, we have retail offices in Boston and New York, which sent almost 5,000 additional persons on our "Hawaiian Carnival" package via United Airlines which sold for a higher price than the ITC's—and, in fact, we believe that we are one of United's biggest customers to these areas. It is also obvious that the increased business from the States in which we operated also directly benefited the scheduled carriers.

Many people prefer the flexibility flights on scheduled carriers give them. Our charter program naturally denies this flexibility as vacationers are required to leave on a prescribed day at prescribed times with a definite schedule and restricted length of vacation, utilizing specified hotels, and other tour features.

In this respect it is interesting to examine our chart—exhibit No. 5—which shows the total number of people who visited Hawaii from States in which we operated for pleasure in 1966, 1967, and the month of March 1968. You will note that even though our percentage of these markets increased during each of these periods from 8 percent in 1966 to 14 percent in 1967 to 17 percent during March of this year, that other operators and scheduled carriers must have benefited greatly. For instance, although our total sales in those States increased from 11,409 to 30,033 between 1966 and 1967, or about 18,500 people, other visitors to Hawaii increased to a figure close to 61,000.

Another indication as to the possible forces which can be exerted by inclusive tour charter programs, is the graph appearing at the top of exhibit No. 5. You will note that a year before ITC's were put into effect that vacation visitors to Hawaii increased approximately 20 percent whereas the year following the institution of ITC's visitors to Hawaii increased approximately 60 percent.

However, for that formerly dormant public that requires the impetus of great travel and special service, we must have the advantage of charters. In this regard, we have found it extremely difficult, if not completely impossible, to charter from online carriers that are neither equipped nor inclined to provide charters on a regular basis. We have personally, on many occasions, requested charters for affinity groups on scheduled carriers with singularly unrewarding results. Therefore, supplementals which allow us a total flexibility in scheduling departures have been of real benefit to our customers.

As further evidence to the fact that inclusive tour charters have created a new travel market as well as being of tremendous benefit to the American public, are the computerized results of a survey conducted on each of our carnival flights. We have and presently are distributing a questionnaire to each of the couples and individual customers in which we ask various questions concerning services, various features of the trip and their travel habits—exhibit No. 6. This questionnaire is distributed on the last leg of their trip along with a stamped, self-addressed envelope. They are then requested to complete the questionnaire and mail it to our home office in Boston for evaluation by various departments and for storage in our computer.

A very high percentage of these questionnaires were returned by our passengers. Out of the 30,033 people visiting Hawaii on our flights last year, we received in the mail over 13,000 questionnaires. As most of our passengers travel as couples, this would represent approximately 26,000 passengers out of the 30,000 we carried.

You will note from the answers to these questions, and I think these of extreme importance and significant, 26 percent of these people had never been on a jet before. The question has just been changed to read, "have you ever flown on a jet for pleasure travel before?" which we feel will eliminate those persons who have flown for business purposes but who have used other means of transportation on vacations. In our opinion, this will obviously greatly increase this percentage.

92 percent enjoyed traveling as a group, while 89 percent had never been to Hawaii before. It is also interesting to note that 45 percent would not have gone anywhere on a vacation at that time if they had not taken our trip. Some 47 percent indicated that they would not have taken a vacation at the time of the year that they went on our trip.

We concluded from these statistics that a tremendous percentage of these people had to be created.

It is important to realize that the basic requirements of an ITC program automatically benefit the public. One of the basic requirements of operating ITC's economically is to run them on a back-to-back pattern. By this I means that every time a plane lands at the passengers' destination, there must be passengers there who will board the plane to return home. This eliminates ferry mileage. Ferry mileage is the air-miles a plane flies without passengers as opposed to live mileage with passengers.

In order to make sure we are always flying live mileage, we must do a continuing volume week in and week out. This volume must be obtained even though we operate under the controlled conditions of specified departure points and dates and length and contents of itinerary. Therefore, it is obvious that we must offer imaginative packaging that is an obvious value to the consumer.

This automatically means that the American public as a whole is the beneficiary of these specific programs. To illustrate just what kind of value the consumer receives, I would like you to note our Hawaiian Carnival folder (exhibit No. 1). Whether the consumer leaves from the South, East or Midwest, they receive accommodations at deluxe hotels, transfers to and from airports and hotels, all breakfasts, all dinners, sightseeing, cocktail parties, the services of a tour escort throughout the trip, and, of course, the round trip by jet. The cost is \$599 plus taxes and service to the consumer. Obviously, this is a great value and makes it possible for a great many people to enjoy a luxury vacation that they could otherwise not afford.

In this respect, we refer to June 3d stories (exhibit No. 8) in Travel Agent magazine, a trade publication, as well as an editorial in Travel Trade, which dramatically assess the possibility. In fact, to quote Publisher Joel Abels' editorial in Travel Trade, "You can bet your last Indian nickel that the domestic airlines will exert every pressure to knock out domestic ITC's as well, and that includes the lucrative Hawaii market. This is something which the travel agent industry cannot afford to let happen. The scheduled airlines challenge to the authority of ITC's to operate should serve as a challenge to the travel agent industry to go all out to fight, through legislation in Congress, for the preservation and even the enlargement of ITC powers. A victory in the ITC battle could reach epic proportions and open vast new sales areas of profit potential. Acceptance of the Supreme Court ruling would mean a return to a travel industry totally dominated by the airlines in which retail agents and wholesalers alike would have little opportunity to convince their scheduled airline principals to bargain with them on an equal basis."

There are at least two other major considerations in connection with the proposed legislation. Both refer to balance of payments and the President's request for Americans to restrict their travel to the Western Hemisphere.

We believe everyone is pretty much against restricting travel to anywhere by any American citizen unless it is absolutely necessary. Therefore, the ideal solution would be to create more travel by foreign citizens to our country. It is in this area that inclusive tour charters can play a most important role.

We know that many of the supplementals and tour operators had planned marketing programs designed to create more travel from Europe to the United States. For instance, we had already prepared a color film presentation, "American Carnival," in which it was our intention to prepare the narration in several foreign languages and market inclusive tour charters from Europe to the Eastern United States. In this connection, our plan was to open sales offices in those cities visited by our European Carnival vacationers (London, Paris, Rome, Amsterdam, et cetera). However, it was impossible for us to implement this marketing program without a clearcut international ITC authority.

We can successfully run a program such as European Carnival via scheduled carriers from the United States to Europe because there are enough Americans who can afford the cost of such a vacation. However, the European market can only be successfully developed with a low-cost economy package.

This is not just our opinion. Richard J. Davis, a member of our tour operator group, proprietor of the Davis Travel Agency, in Frankfurt, Germany, has been arranging transportation from Western Europe to the United States for the past 8 years.

As an American citizen, Davis would like to do his part in the balance-of-payment battle. The fact that his contribution could be a major one is evidenced by the fact he was responsible for 10,000 persons flying to this country in 1967.

Davis intends to embark on an ambitious, inclusive tour program in 1969 designed to bring 20,000 persons to the United States. This could mean \$1,500,000 in fares for American-flag carriers or foreign supplementals. If American supplementals are not permitted to operate International ITC's, then Davis has no alternative but to sign with a foreign carrier as he must have charters to attract this type of foreign volume.

Davis also pointed out that his program would also result in a great volume of business for the scheduled carriers on the domestic legs of his ITC program.

How many other programs besides ours and that of Richard Davis were nipped in the bud by the uncertainty surrounding ITC's? We do not know for sure, but by personal knowledge there were a substantial number.

The second consideration that should be made is the fact that Americans were requested to restrict their travel to the Western Hemisphere.

In order for Americans to have some place left to go, it was up to ITC's to help take up the slack. For instance, our organization as well as the other tour operators—while cutting back on European programs—scheduled more domestic patterns to vacation areas such as Hawaii, et cetera, and developed new programs such as our air-sea package to South America. This program included round trip jet to Recife, Brazil where the vacationers would board a ship and cruise

down the South American coast to Buenos Aires and then return by a jet. We marketed this 2-week vacation from \$649 and took some 2,600 persons to South America in a 3-month period.

If these imaginative low-cost flights are stopped, thousands of Americans who have already made vacation plans this year will find themselves with no place to go—that they can afford.

We believe it is important for Congress to realize the number of people affected by the decision they are about to make. The future if not the very existence of supplemental airlines depends on this legislation. Countless thousands of travel agents who have earned substantial commissions on the sale of ITC's will be affected as well, and most importantly the public will lose the most. This year we alone have accommodations for more than 50,000 persons on the Hawaiian Carnival—and we are only one of many operators. We have already taken in excess of 15,000 on this trip since January. It is obvious from the success enjoyed by ourselves and many other operators in this field that more and more Americans are being introduced to air travel.

Within our presentation we have included just a few letters (exhibit No. 9) from Carnival vacationers thanking us for making it possible for them to enjoy this type of trip. I can't even begin to recount the number of people who have told or written me, members of our staff, travel agents, or our tour escorts how they never would have been able to afford a trip like they had enjoyed. Other tour operators have reported the same experience.

If this legislation is not passed and this young industry is not allowed to progress at the rapid rate it has already achieved, untold hundreds of thousands of Americans such as these will be deprived of bargain luxury vacations.

All this legislation is designed to do is confirm the right of the supplemental carriers and tour operators to operate just as they have for the past year, providing the same necessary service to the American public.

Congress made it possible for this concept to be put into effect by the Civil Aeronautics Board and the industry has proven their concept to be extremely successful from the standpoint of acceptance by the public and the strengthening of the supplemental carriers, as well as new air travellers for the scheduled carriers. The growth of a new phase of the travel industry, and the resultant jobs and added taxable income are just a couple of the benefits accrued from this regulation. In fact, no one, except the scheduled carriers even question the fact that the ITC's have proven the very thing that they were created to prove.

It would seem ludicrous to have an already successful program stymied and its benefits to the public halted for a lack of action. Therefore, we may say, speaking for all the ITC tour operators, that we are in complete accord with the bill exactly as proposed by Senator Monroney. However, due to the urgency of the situation, the tour operators would be willing to support the final recommendations of this committee and support it wholeheartedly and work towards passage of the same bill in the House of Representatives.

We are pleased that we were invited to speak here today, as the tour operators have been the major contributors to the success of the inclusive tour charter program. It has been their investment in crea-

tive packaging, marketing, and advertising, which in our case alone involved more than \$5 million that has made this program a success with the supplemental carriers and the American public benefiting most of all.

Thank you very much for your attention and interest.

Senator MONRONEY. Thank you, Mr. Low, for a very comprehensive statement, one that details to a great degree the success story of these supplemental carriers and documents the income and the help they give in balancing our dollar flow.

I am impressed not only with the statement, but with the attractive advertising that you have contained in your brochure. As one of the principal, I guess you would say, middlemen in this operation between the operators of the supplementals and the tourists, would you be agreeable to the amendments to S. 3566 which were suggested this morning by the Chairman of the Civil Aeronautics Board?

Mr. Low. I will say, Mr. Chairman, that we will be agreeable to whatever your committee suggests. I am sure that our position is that we would prefer the bill exactly as proposed, but we will concur with whatever it is your committee suggests.

Senator MONRONEY. Because of the lateness of the session and the difficulty of hearing possible opposition of the scheduled airlines, we are anxious not to get the bill more controversial than necessary. I don't know what objections there would be. I would hate to stir up the travel agents. They are fine people who are good friends of many Members in Congress.

Do you see anything in the amendments that have been suggested by the Civil Aeronautics Board or in the statement by the supplemental carriers that poses any threat to the integrity of the travel agents' part in this tourism? I think they serve a very useful purpose in putting together, shall we say, wholesale ticket sales rather than retail ticket sales and for that reason, if it is working well, I am anxious not to shake the foundations of the business which must rest, I think, on those who sell the tickets.

Mr. Low. Let me say this, Mr. Chairman. I am sitting here wearing two hats. One, as the president of AITS, which is a giant as a tour operator, and the other as a representative of all of the other tour operators, and in analyzing the bill as proposed, it is fairly obvious that the intent is to direct this back to the discretion of the Board so that at some time in the future if the tour operator industry doesn't flourish and requires the aid of the supplemental airlines, conceivably the supplemental airline tour operator can be one and the same.

In that particular case, the supplemental airline would be its own tour operator.

As the one hat of president of AITS we are not that greatly concerned because if the supplemental airline could be a tour operator we could be a supplemental airline, but with the hat of the other operators, I feel their fear is the concern they might be gobbled up and not be a part of the flourishing industry they have so capably developed.

Senator MONRONEY. How many travel agents, that is companies, engage in this booking for the supplemental tours?

Mr. Low. We represent eight. Now I think there are more and I think that the industry has been just in its infancy and a great deal

have been reluctant to go ahead but I am quite sure many of these tour operators and wholesale travel agents have intentions of pursuing the inclusive tour charter market when it becomes a lot more stable.

Senator MONRONEY. You see, for purposes of this discussion, one of the strong thrusts against the supplemental bill in the first place was the fact that this would allow the supplementals to eventually become individual ticketing agencies and thus take on, not the charter tour business, but regular schedules, we will say, out of New York during the peak season, regular transatlantic flights between New York and Paris or Rome or Stockholm or places of that kind.

It was the interjection of the tour concept that I think was one of the points that made it more possible to define this category of travel as being distinct and separate from the individually ticketed trade which I think we all agree belongs to the scheduled airlines.

I would like to have you elaborate on it but I think we are getting at the crux about why I am nervous about a language change.

Mr. PORRS. We share your concern in this respect that we feel it is quite clear the thrust of the scheduled carriers objection to this legislation would undoubtedly be premised on a concern over the supplement as getting into the individual ticketed business and we feel to raise that specter at this time is simply not necessary because it is quite clear that the Civil Aeronautics Board from its statement has no intention in the near future of permitting that kind of operation by the supplemental air carriers in any event, regardless of what discretion would be vested in the Civil Aeronautics Board. For that reason, plus the additional reason which you alluded to that it would clearly complicate matters in terms of getting this legislation which is so badly needed through the House of Representatives, we feel it would be unwise to leave that question open but simply to make it clear that the legislation is going to establish a posture that has existed under the old legislation and to just make it clear that what is being permitted is what has been done in the past and clearly no more.

Senator MONRONEY. This is my feeling that you could dig up fewer snakes by saying this continues this legislation exactly as it was before the legal jam that occurred on split decisions, one going one way and one going another. I am anxious to see legislation. I am also anxious to see a distinction made between individually ticketing and supplementals utilizing tour operators to market charter tour trips.

We leave it open to the Civil Aeronautics Board but we trust the present Board and we trust the past Boards but you never know in the business what the subjection of unusual competition would be. I could foresee a competitive service across the Atlantic to be competitive with Pan American or TWA on a regularly scheduled basis. I don't know how you could avoid it if you had the Civil Aeronautics Board in the future which says we have the right to allow you to individually ticket.

I don't know of any restrictions that would prevent this, if you get away from the fact that it is the travel agents who sell the group tickets and then the plane is chartered actually for that purpose.

Mr. Low. Mr. Chairman, let me state once again that the dire need for legislation at this particular time is one that has placed us in a position that we will accept any proposal and back it to the hilt that comes forth in the Senate, that comes forth from your committee.

Our position is that we would prefer to have the bill exactly as proposed. Nevertheless, as I previously stated, we will go along with anything because at this particular point we just need that legislation and I wouldn't want to be a party to do anything that might conceivably hold it up.

Senator MONRONEY. On another matter along the same line, if the Civil Aeronautics Board authorized scheduled airlines to handle inclusive tour charters, how successful do you think you would be in getting these carriers to charter jet airplanes to you?

Mr. Low. In the past, the scheduled carriers have always been reluctant to have much dealings in the way of the charter field. We have had some success in the past but only when, or mostly when, aircraft happened to be in position that they might consider chartering to you. Their attitude has always been or seems to be one of we don't really want the charter business. We don't like the charter business. And it is probably not desirable.

For any matter of reasons, whatever they may be, we have never been anywhere near successful, even in the field of affinity charters—and I am not including inclusive tour charters—because in the past we have handled many affinity groups and we have found the domestic airlines to be extremely reluctant to sell charters to groups.

Senator MONRONEY. Well, to make a long story short then, unless you have this authority, this means there will be no such thing on a practical basis as charter groups.

Mr. Low. Well, we would have no objection to the scheduled carriers having ITC authority.

Senator MONRONEY. That is right, but they don't want it according to your experience.

Mr. Low. And they might conceivably some day wake up and recognize the advantages of it. But in the past they haven't.

Senator MONRONEY. Oklahoma produces great football teams and we have to fly them by air but it is very difficult, using whatever persuasive powers as chairman of the Subcommittee on Aviation I might have to persuade scheduled airlines to charter a flight for a Big Red football team and its players to fulfill football schedules. It has been so bad that one of our college teams, Oklahoma State University, had to charter an air taxi line with beaten up DC-3's that had so many counts of safety against it that it was finally grounded.

It gets worse when we go, as we generally do, to the Orange Bowl game [laughter]. And hundreds of fans try to find their way down during the peak period of travel and in spite of everything it is only your very very best friends that will even consider a charter at that time. Not that they don't try, but they are not in that business. I think this is the answer.

Mr. Low. I believe the same thing. They are not in that business and, strange as it may seem, this business could flourish and I would prefer that they let it flourish but they are not in the business as such and we have experienced the same as you have.

Senator MONRONEY. Let me go back again to my favorite subject and that is reverse tourism, all-inclusive tours including tips. Most of the people who come from Europe, aside from the British area, can't speak English or don't trust their English. Tips become very

confusing and the legend of fabulous America requires them perhaps to tip more than a frugal American would as they check in and check out.

Mr. Low. I may say this: All of our tours are sort of both ways. We include all of the baggage handling tips, because we recognize exactly the same thing.

We have not included meal tips because somehow or other the waiters seem to forget that they have been tipped previously.

Senator MONRONEY. I know what you mean. [Laughter].

I think the baggage handling and moving in and out of hotels, with the small gratuity left to the traveler is fine—but the big heavy tipping is going out to the motel.

Mr. Low. That is absolutely correct.

Senator MONRONEY. Do you have any combine tours of Europeans that you sell perhaps with American supplements, say, from Rome or Paris to New York and then work out with the local service airlines, most of whom have jets now, to go to Florida and the national parks and across our great country?

Mr. Low. As I stated before, Mr. Chairman, we have prepared a film in anticipation of putting forth a great sales effort in Europe and this film was prepared recently when the balance-of-payments issue became vital. And we have been stymied in pursuing it any further because of the status of the ITC.

We believe that there is a tremendous market in that area.

Senator MONRONEY. Now you mentioned that you are stymied at the moment. Then this puts the urgency of speed on this because this is evidently a big season coming up and the people must now be booking, I guess, for their travel plans for the summer.

Mr. Low. If I may say, we currently enjoy over 20,000 paid reservations over the next 6 months.

Senator MONRONEY. Let me ask you one other question. The tax that you pay now for air travel would be a 5 percent travel tax domestically on the cost of the ticket; would it not?

Mr. Low. Yes, sir.

Senator MONRONEY. That includes Hawaii or I guess if you went to Samoa it would include Samoa?

Mr. Low. I don't think Hawaii is included at the present time.

Senator MONRONEY. Well, you have it here—it must be—on your fine brochure you show a \$19.50 tax. It might be a sales tax.

Mr. Low. That is for the domestic portion. That is the portion from from, say, New York to California. I don't believe that there currently is a tax from California to Hawaii.

Senator MONRONEY. I see. I don't know, I think it must be, because that is roughly \$20 tax and that would be 5 percent—

Mr. Low. That is taxes and service. That includes other taxes, State taxes and hotel taxes.

Senator MONRONEY. What would it do to you—this is in line with another bill we have coming up for airports and airways—if we increased taxes in order to finance the electronics necessary for flight safety, including the 5-percent travel tax increased perhaps by 2 to 3 percent—which would probably not affect you—wouldn't affect you on overseas but I am surprised it doesn't affect you in Hawaii.

Mr. Low. I don't believe that—

Senator MONRONEY. We can find that out. On the overseas, the non-American portions of the flight, would you feel that a \$2 surcharge on each ticket, each person, would seriously affect or adversely affect the travel stages?

Mr. Low. I would certainly have to give it a lot more thought but I don't think the \$2 would affect it.

Senator MONRONEY. You are going to have the kind of airports and kind of electronics we must have for safety, so you will have to put a user tax on, and all branches of aviation will have to pay that user tax.

Mr. Low. I think our American public is getting pretty used to taxes. [Laughter.]

Senator MONRONEY. Unfortunately it is. Senator Hart?

Senator HART. Mr. Low, in your prepared statement you describe this Hawaiian package that you have and you enumerate what is included, deluxe hotel and so on.

Mr. Low. That is exhibit 1.

Senator HART. All right. Now to the extent that the comparison can be made, assuming the air equipment, the plane equipment was comparable, what would the consumer pay if rather than taking your package deal he treated himself to these same facilities and services on the scheduled carrier?

Mr. Low. Let me say we sell the exact same package via United Airlines, exactly the same.

Now when they travel via United Airlines with the scheduled carriers, they have the flexibility of going when they want to go, coming back when they want to come back, and if they want to stop off at Oklahoma City or Denver, they have the flexibility to do so.

We sell that exact package for \$100 more. Our profit margin is lower but, as I said, we handle over 5,000 people via United Airlines on the same package.

Now if I may elaborate further, if someone were to do it on his own and make the arrangements, I would say that trip would probably cost them somewhere around \$850.

Senator HART. That would be \$250 more?

Mr. Low. Yes. That is if they did it on their own, because we are taking in the intangibles, as Senator Monroney has stated, of baggage handling and tipping and all of these other services that if the person went on his own—for example, his baggage wouldn't be picked up at the airport and delivered to his hotel room which is what we do.

In addition, we provide escorts and other things which are intangibles and you can't measure them in dollars and cents.

Senator HART. Is United's flight charge from Boston to Hawaii fixed by the Government or is there a minimum that is established?

Mr. Low. Well, they have—

Senator HART. I am talking about the air charges.

Mr. Low. Steve, you can answer that.

Mr. POTTS. Actually their fares are not fixed by the Government. You might say the CAB has a veto power over any fare that is filed by a carrier but—if I read your question correctly—they certainly have the power to reduce their fare if they saw fit to do so. That is within the discretion of the airline to do that.

I think really one of the very significant things that has developed just since this split decision by the Supreme Court and is in one of the exhibits—

Mr. Low. Glenn Cramer's exhibit.

Mr. POTTS. There is one here in the travel agent magazine that reflects the fact that the carriers in the lower righthand corner, the operators fear the group inclusive tour fare offered by the scheduled carriers may be jeopardized at the Cannes conference because they have introduced these fares in response to these lower fares of inclusive tour charters and now they already started talking about raising those fares and eliminating that group inclusive tour fare.

So I think the pressure applied on the scheduled carriers' fare structure by the inclusive tour charters is very significant in considering the public interest in this matter.

Senator HART. You read my question precisely as I intended it. Would not the elimination of your servicing remove a competitive discipline on other—that was exactly my question.

Mr. Low. That is correct.

Senator HART. Thank you.

Senator MONRONEY. Thank you. I have a very important question and I think this is one of the great values of competition. We are not trying to have destructive competition, but competition that offers an opportunity for a lower price with some few frills or some few conveniences that are cut out.

How do you book—I don't know of anyone in my home city—lots of people go on tours but do you have agents in places like Oklahoma City that book for you?

Mr. Low. We have—any travel agent can book through us. We have scheduled a series of flights in Oklahoma City.

As a matter of fact, if I remember correctly, the Oklahoma Bar Association participated in one of these and the Shrine Temple in Oklahoma has, too. Ordinarily, in a place like Oklahoma, where the Shrine Temple might not be as large as it would be in New York or Cleveland, Ohio, it may not be possible for them to fill an aircraft and therefore make an affinity chart available to them.

But by using the ITC concept, the Oklahoma Shrine Temple could then invite its friends and its relatives and travel agents in Oklahoma City to participate and put others on the same flight and therefore allow them the opportunity of these flights to go out of areas that may not be gateways where the major carriers don't spend their promotional money. This has been the story of our success because we have gone out of remote areas all over the country.

Senator MONRONEY. I would like to see something happen to this theory of gateways because the old days of going to New York and staying at the Waldorf and seeing a nightclub and all are no longer existing.

You can stay in Rome or Stockholm or Oslo or some place for 3 or 4 days for what it costs to change planes to leave the port of embarkation. The airplane doesn't know what it is flying over.

Every town with a 10,000-foot runway is a port of embarkation. The sooner the airline industry learns that they are overconcentrating in New York and that there is opportunity in places like Miami that are pleasant to be in instead of a rat race, that you will find other

new markets that can be generated even from the interior of the United States with perhaps an overflight stop before flying or even fueling and going on the better.

One suggestion by the staff: What percent of your passengers are wives, parents, and family, traveling by plane to Hawaii visiting servicemen from Vietnam who are on R. & R., rest and relaxation?

Mr. Low. We neglected to put this in our presentation. We discussed it. I don't know the percentage and we don't have the actual statistics. I can safely say that a great deal of these people have taken this trip to meet returning servicemen on R. & R. in Hawaii.

Senator MONRONEY. Fine.

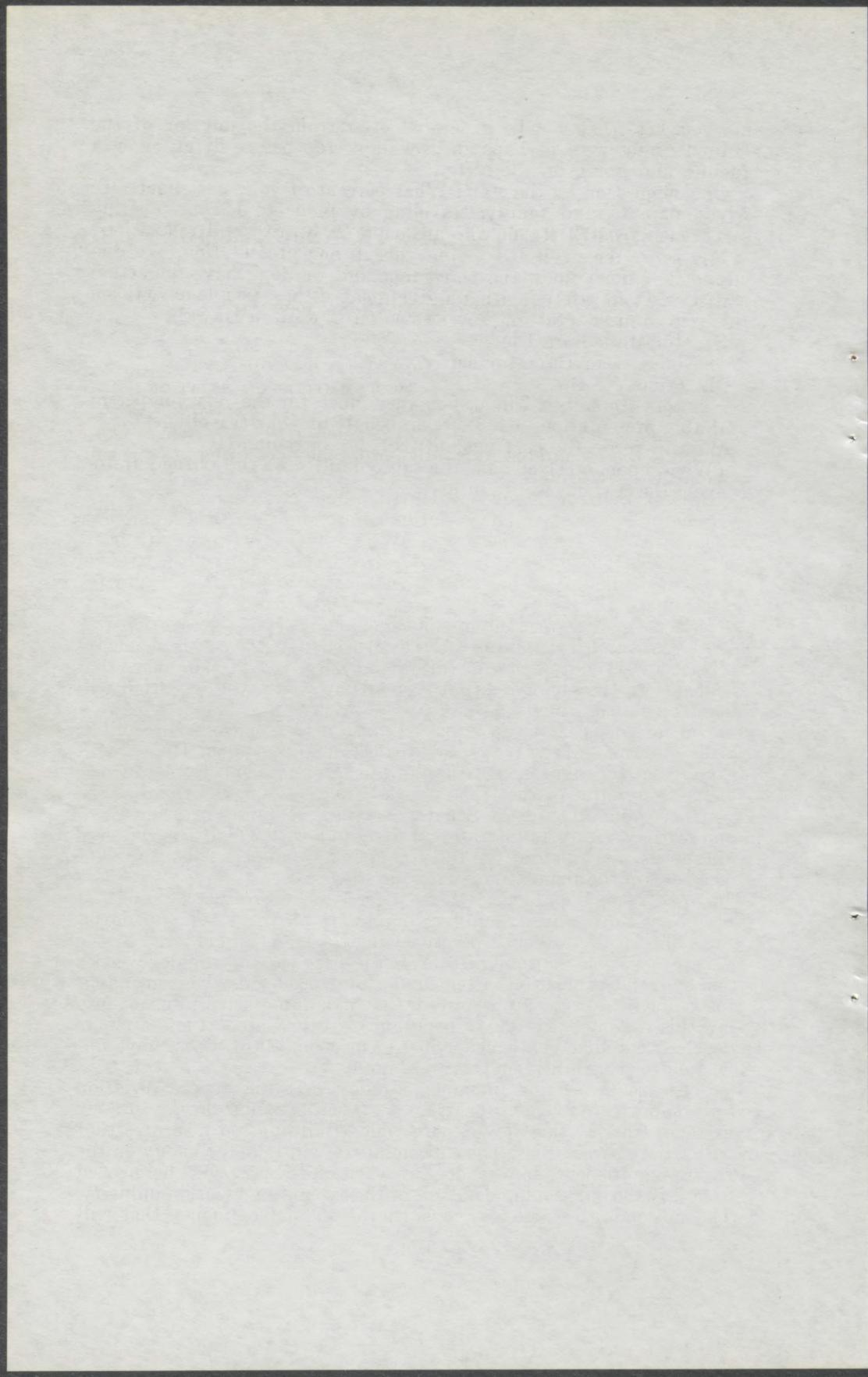
Do you have anything further.

Mr. POTTS. No, Sir.

Senator MONRONEY. Thank you very much for the very competent and able presentation, Mr. Low, on behalf of your travel agents.

We will recess the hearings until 10 a.m. in room 5110.

(Whereupon, at 11:50 a.m., the subcommittee was adjourned, to reconvene the next day at 10 a.m.)



SUPPLEMENTAL AIR TRANSPORTATION

THURSDAY, JUNE 13, 1968

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee met at 10 a.m. in room 5110, New Senate Office Building, the Honorable A. S. Mike Monroney (chairman of the subcommittee) presiding.

Present: Senators Monroney, Hart, Cannon, and Pearson.

Senator MONRONEY. The Aviation Subcommittee of the Commerce Committee will resume its session. We are going forward with hearings on S. 3566, to amend the Federal Aviation Act of 1958, with respect to the definition of "supplemental air transportation," and for other purposes.

Because of the great interest on the part of all of the aviation fraternity, scheduled trunk lines, the local feeder lines, the supplemental service and even down to the military, I am pleased to announce that hearings on the airways-airports or airports-airways legislation will begin on Tuesday next.

During this past week, I have talked with Congressman Wilbur Mills, chairman of the Ways and Means Committee of the House, with Congressman Staggers, chairman of the Interstate and Foreign Commerce Committee of the House, with Senator Long, chairman of the Finance Committee of the Senate, Secretary of Transportation Boyd and with FAA Administrator McKee and with Chairman Warren Magnuson, chairman of the full Commerce Committee, about the unmet needs of the airport and airways system.

It had become quite clear to me after listening to the testimony of Secretary Boyd and Administrator McKee on the FAA appropriations bill for fiscal 1969, after reviewing the material gathered by the Senate Aviation Subcommittee over the past year on the deficiencies that exist in the aviation system, and after considering the tremendous future facilities that are required, that it is imperative to enact into law this year an entirely new program for future airport and airways development. The gentlemen I just mentioned, all of whom have important responsibilities in this area, agree.

Consequently, I am announcing today that the Senate Aviation Subcommittee will begin hearings on Tuesday, June 18, at 10 a.m., in room 6202 of the New Senate Office Building, on measures that will satisfy these needs. The subcommittee will take testimony on the future requirements for airports, airways, and FAA personnel needed to satisfy the burgeoning demands of the expanding aviation industry. The subcommittee will also consider the amount of money that will

be required to finance the construction, purchase, installation, and operation of those improvements and the amount and type of user taxes that must be imposed to generate the revenues to cover the cost.

Although the subject of user taxes is properly within the jurisdiction of the Ways and Means Committee of the House and the Finance Committee of the Senate, I have been requested by the chairmen of these two committees to consider these matters in the Aviation Subcommittee hearings and to develop a hearing record that will be of assistance to them when their committees consider the imposition of additional user taxes. In this regard, I am pleased to announce I received a letter from the chairman of the House Ways and Means Committee, which reads as follows:

JUNE 11, 1968.

DEAR MIKE:

I enjoyed greatly our very profitable conversation concerning the hearings to be conducted by the Aviation Subcommittee of the Senate Commerce Committee on the subject of airways and airports. The ideas which we discussed as to the financing of these facilities into the future through some device such as a trust fund which would be supported through some type of charge which would make it independent of the General Funds of the Treasury, are worthy of exploration and study.

It may well be that through these hearings which your Aviation Subcommittee plans to conduct you could develop some consensus as to what type of charges could be developed which would support the type of activities which we reviewed. Of course, any legislation involving any taxes of this nature will, as you well understand, have to originate in the House and in the Ways and Means Committee.

I suggest this because it occurs to me that your hearing might be more productive if you could look at the overall picture, not only of the need that exists but the method by which that need could be met. Then out of your hearing you might be able to file some report with us in the Ways and Means Committee of your ideas and the ideas of your Subcommittee, as well as the full Committee. This could well facilitate our own work in the Ways and Means Committee when we reach this subject.

I will appreciate it if you will keep me advised of developments which you deem pertinent in this area.

With kindest regards,
Sincerely yours,

WILBUR D. MILLS, *Chairman.*

So this is the attitude of the distinguished chairman of the Ways and Means Committee.

With the ever-increasing traffic that congests our airways and our airports it is only a matter of time before tragedy will strike, unless measures are enacted now to provide the necessary authorization and financing to improve the airport and airways system. I do not imply that disasters will occur tomorrow.

But because of the long leadtime involved from authorization to operational capability, not a moment can be lost in securing the necessary legislation that will enable Federal, State, and local governments—together with the private industries concerned—to proceed promptly and in concert to make our Nation's aviation system safe, efficient, and convenient.

The subcommittee will consider the various proposals that have been made, both by the administration and the aviation industry, as well as the conclusions and recommendations contained in the interim report issued in January of this year.

The subcommittee's goal, working closely with the Senate Finance Committee, the House Ways and Means Committee, and the House

Interstate and Foreign Commerce Committee, is to report and pass legislation this year that can be presented to the President for his signature for a program that will meet aviation's needs for at least the next 10 years.

This will require a willingness to compromise on the part of all parties, including those of us on this subcommittee who have definite views on this subject, and a vision of the future benefits, rather than the shortsighted financial hardships, that a far-reaching and all-encompassing new program can provide.

I apologize for taking up the time of this distinguished group of witnesses, but I think it is important to all of them because, unless we do have adequate control of our airspace, unless we do have adequate airports and adequate transportation for safety, nothing else really matters in aviation.

Senator MONRONEY. At this time we are honored to have on the subject matter before us, one of the oldest and most helpful friends of this subcommittee, and frequent testifier before us on many, many phases of aviation, the distinguished president of the Air Transport Association, our friend, Stuart G. Tipton.

STATEMENT OF STUART G. TIPTON, PRESIDENT, AIR TRANSPORT ASSOCIATION

Mr. TIPTON. Thank you, Mr. Chairman and members of the committee.

I first would like to say that we are deeply appreciative of the announcement that you have just made. That this committee will have the time, be prepared to take the time, and expend the effort in dealing with at least the—I would say one of our most serious problems. I think that we must be grateful to the committee for being prepared to spend this time on this problem, and we look forward to participating in the discussions on the airport-airways problem.

Senator MONRONEY. Thank you. We appreciate what the ATA has done in the past 9 or 10 months that this has been undergoing study. You have not only been helpful in your testimony, but in supplying necessary information and necessary attitudes, so that the perimeters in which we could find some consensus would be found and the points of difference identified and hopefully resolved during the subsequent hearings that we expect to begin next week.

Mr. TIPTON. My name is Stuart G. Tipton. I am president of the Air Transport Association of America, the trade and service organization representing virtually all of the scheduled airlines of the United States. These carriers provide regular and frequent air service to well over 600 cities in the United States, both large and small, as well as to points in more than 100 countries of the world. They do so under the authority, and the companion obligation conferred by certificates of public convenience and necessity issued by the Civil Aeronautics Board.

S. 3566 would empower the Civil Aeronautics Board to authorize supplemental air carriers to provide so-called inclusive tour charters. It is further designed to validate and ratify the existing inclusive tour authorizations which have been granted by the Board, contrary determinations by any court notwithstanding. The legislation has

been introduced at this time because of the recent action by the Supreme Court of the United States affirming, by an equally divided court, a decision of the U.S. Court of Appeals for the Second Circuit, which held that the CAB had exceeded its statutory powers in authorizing such inclusive tour charters.

We strongly oppose this legislation. The policy determination on this subject reached by the Congress in 1962 was a good one; it should not be altered.

An inclusive tour charter under the CAB's concept is an arrangement whereby a supplemental carrier is authorized to "charter" the entire capacity of an aircraft to a tour operator who then sells tours on an individually ticketed basis through the solicitation of individual members of the public at large. The term "inclusive tour" has on occasion been used synonymously with the more familiar "all-expense" or "package" tour. This is an inaccurate generalization since the Board's requirements can be met by providing in the tour only the air and surface transportation and hotel accommodations, without the other land arrangements, meals and sightseeing ordinarily part of an all-expense or package tour. In fact, even the term "tour" is a misnomer under such circumstances. It is neither inclusive, nor a tour.

This inclusive tour concept should not be confused with the unchallenged right of the supplemental carriers to charter their aircraft to a single person or company which bears the full cost of the transportation, such as a professional football team or a manufacturer offering a sales incentive travel program to his dealers; or their right to charter aircraft to the bona fide members of an educational, civic, fraternal or similar organization, who divide the cost among themselves. Such "single entity" and "pro rata" charters, respectively, along with the charters performed for the military services, account for the vast preponderance of the traffic carried by the supplemental carriers today.

It should be observed at the outset that this bill does not simply propose to codify the inclusive tour charter program which the CAB has formulated by administrative decision. Rather, it would alter the characteristics of this scheme by expressly abolishing at least two of that agency's present requirements—the rule that the tour operator must charter the entire capacity of an aircraft (under this bill: "* * * the charter of an aircraft or portion thereof by a tour operator * * *") and the requirement that the tour must provide overnight accommodations at a minimum of three places no less than 50 air miles apart, other than the point of origin (this bill reads "* * * a round trip tour which is to one or more points * * *").

Perhaps even more disturbing, and certainly unexplained, is the fact that the bill deletes from the existing statutory definition of supplemental air transportation, the congressional expression of intent that supplemental air service be rendered "to supplement the scheduled service authorized by" the certificates of public convenience and necessity of the regular route carriers.

Thus, it is evident that this proposal is not merely a limited ratification of CAB action, let alone a clarification of the intent of an earlier Congress. Rather, as will be demonstrated, it would not only depart from the statutory program enacted by Congress for the certification

and regulation of the supplemental carrier industry, but also would be in derogation of established and proven concepts for the sound regulatory control of air transportation in this country.

Before addressing ourselves to the specific merits, or lack thereof, of the proposed legislation, it is necessary to first consider in some detail the background and objectives of Public Law 87-528, the statutory plan for the permanent certification of supplemental air carriers which Congress enacted in 1962.

Public Law 87-528, amended the Federal Aviation Act of 1958 so as to establish a specific statutory plan for the certification and regulation of a separate class of carriers designated as "supplemental" air carriers—a class of operators which at earlier stages of their development had variously been known as "nonscheduled" or "large irregular" air carriers. The amendment empowered the Civil Aeronautics Board to grant certificates of public convenience and necessity authorizing these carriers to engage in "supplemental air transportation" a term which was defined as "charter trips in air transportation * * * to supplement the scheduled service" which the certificated route carriers are authorized and obligated to provide.

One of the principal purposes of the 1962 legislation was to clarify the permissible scope of the authority which could be granted to supplemental carriers; a legislative review undertaken by reason of two court decisions which had set aside the Board's previous attempts to formally license these carriers. The agency actions which were held to be unlawful by the courts had never, of course, authorized inclusive tour charters, a concept which was not then known in the air travel industry in this country.

This amendment to the Federal Aviation Act evolved from proposals which were introduced in both Houses early in the 87th Congress. Hearings were held in June 1961 before the Aviation Subcommittee on Commerce, as well as before the Subcommittee on Transportation and Aeronautics of the House Committee on Interstate and Foreign Commerce. Following the hearings each committee reported out its own bill.

The Senate bill contained a definition of the term "charter service" which would have permitted, but not required, the CAB to authorize the supplemental carriers to offer their services to members "of a group on an all-expense paid tour;" being an express exception to the policy otherwise laid down in the definition that prevented the Board from authorizing individually ticketed service whether offered by the carrier directly or through an arrangement with a travel agent. This bill passed the Senate on August 28, 1961.

The House bill, which was passed on September 18, 1961, did not define charter, although it used the term in its definition of supplemental air transportation.

The conflicting House and Senate bills were then submitted to a conference committee. After numerous meetings, the committee reported out a substitute bill which followed the House version in this regard, eliminating entirely the Senate's definition which would have permitted the Board to authorize all-expense paid tours. This bill was the one ultimately enacted as Public Law 87-528 in July 1962.

At the end of this long conference, a solution had been reached by the conferees on the problem that Congress had set out to solve some

18 months before. They had drawn a clear line of demarcation between the role of the supplemental carrier and that of the scheduled airline. The supplemental carrier was to supplement the scheduled service by devoting himself to the performance of charter service, and he was not to engage in individually ticketed transportation, with one limited exception (which proves the general rule).

As the conference report explained it :

The substitute agreed to in conference adopts the provisions of the House amendment with respect to the prohibition of individually ticketed and waybilled services on a permanent basis.

It further stated that at the end of the 2-year period authorized "in order to permit an orderly transition to all-charter operations" by these carriers, "supplemental air transportation would be limited to all-charter operations, except for individually ticketed service which may be authorized by the Board on a temporary basis." Thus the only individually ticketed operations thenceforth permitted was to be the special authorization for up to 90 days, under the new section 417 of the statute, in situations where the Board finds a temporary insufficiency or lack of scheduled air transportation.

Any remaining question concerning the intent of the conferees in striking this provision was answered when several of the bill's floor managers addressed themselves to this subject during debate in each House. Their statements, which went unchallenged, unanimously declared that the "all-expense tours that were provided for in the Senate definition were not accepted by the House, and the Senate receded and concurred in (the House's) position on that;" 108 Congressional Record 12322 (June 29, 1962). The quoted remarks are those of Representative Williams, chairman of the Subcommittee on Transportation and Aeronautics.

Representative Harris, the chairman of the Committee on Interstate and Foreign Commerce, further explained this action :

Travel agents, being agents for transportation services, rather than carriers themselves, have never been allowed to engage airplanes in their own name for their own account. Nor should they be allowed to. That is why the House objected to the proposal of the Senate including the "all-expense tour" language; 108 Cong. Rec. 12322.

He went on to state :

The law is well established that, in air transportation, charter means essentially the least of the entire capacity of an aircraft for a period of time or a particular trip, for the transportation of cargo or persons and baggage, on a basis which does not include solicitation of the general public, or any device where individually ticketed services would be offered or performed under guise of charter. The basic concept being thus clear, it is important that the Civil Aeronautics Board, by regulation and other appropriate measures, make sure that charter serves its planeload service concept and is not employed as a subterfuge to perform individually ticketed services. Manifestly, the nature of such subterfuge may change from time to time, and the regulatory agency needs some flexibility to modify its regulations to guard against any new subterfuges that may emerge. For this reason, the House committee objected to any attempt to freeze into the act a definition of charter service which would prevent the Board from dealing effectively with abuses. Thus, the bill, as passed by the House, contained no definition of charter.

The Senate bill, on the other hand, contained a definition of charter service. This was necessary, in large part, because the Senate proposed to modify the established concept of charter in order to permit carriage, as charter of "a group on an all-expense tour." The Senate conferees having receded from insistence on the all-expense paid tour exception, it followed that the remainder of the Senate definition was superfluous since it merely stated established law and policy.

Other House Members spoke to the same effect, including Representative Collier, a member of the subcommittee (108 Congressional Record 12324).

On the Senate side, Senator Cotton, a member of the Aviation Subcommittee, stated:

The conferees agreed to drop the language in the Senate bill which defined charter service, and permitted the sale of tickets on charter flights to individual members of the general public who were on all-expense-paid tours. I am wholly in accord with the action in eliminating the all-expense tour provisions and thus refusing to confer this power on the Board. (108 Cong. Rec. 12284.)

Similar views were expressed by Senator Scott, a member of the parent Commerce Committee:

The Senate bill proposed to modify the established concept of charter by permitting charters to "a group on an all-expense-paid tour." Such a group could have been assembled from the general public . . .

The committee of conference wisely eliminated the Senate provision. The bill thus, in effect, confirms the established law as to a charter in air transportation. There should be no question about that. The Congress has considered and has rejected, a proposal to change the established meaning of charter so as to have permitted travel agent charters for all-expense tours. Such charters have no place in air transportation. 108 Cong. Rec. 12284-85.

And Senator Thurmond, a member of the Aviation Subcommittee observed further:

I am advised that the CAB Bureau of Economics has advocated that a so-called all-expense tour concept be grafted onto the existing charter definition. This would be intolerable, and has been expressly rejected by the conferees. The Senate receded from its charter definition which included this all-expense tour provision. 108 Cong. Rec. 12285.

After a review of this legislative history, the second circuit concluded: "These statements are specific in rejecting the notion that the term charter can be construed to include all expense tours;" 380 F. 2d 770, 781.

Congress thus determined that inclusive tours are not "charters" and are thus not included within the area of permissible operations which it established for the supplemental carrier industry. It drew a precise line of demarcation between the supplementals and the regular route carriers; one that they were not to be permitted to cross. This statutory plan was clearly intended to be finally dispositive of their role in the national air transportation system.

A series of supplemental carrier certificate proceedings before the Civil Aeronautics Board followed enactment of Public Law 87-528. The first of these cases in which the question of inclusive tours was in issue was the transatlantic charter investigation, decided in October 1963. Although awarding planeload and "split" charter authority across the Atlantic to certain of the supplemental carrier applicants, the Board denied their requests to be also allowed to charter aircraft to travel agents for all-expense tours. The Board relied on the serious diversionary consequences that such authority would have for the scheduled transatlantic route carriers in view of the significant portion of their traffic and revenue derived from the carriage of economy fare passengers on all-expense tours sold by travel agents.

In March 1966, however, the Board issued its decision in the domestic phase of the Supplemental Air Service Proceeding which awarded inclusive tour authority to the successful applicants. This action was upheld on appeal by the District of Columbia circuit, 365 F. 2d 939.

Thereafter, in September 1966, the Board issued its decision in the foreign and overseas phase of the Supplemental case; similarly awarding inclusive tour authority to the carriers selected to operate in the nontransatlantic markets at issue. At the same time, the Board issued a decision in the reopened *Transatlantic Charter* case which reversed its earlier determination and granted inclusive tour authority to the supplemental carriers in these markets as well. These latter two decisions were appealed to the second circuit which set aside the Board's orders as outside the permissible scope of its statutory powers. This decision of the second circuit has now been affirmed by an equally divided Supreme Court.

In the 1962 act the Congress brought to a close one of the bitterest controversies which has ever arisen in the air transport industry. In resolving this issue the Congress reached a solution to the underlying economic and regulatory problem which was fair to all concerned.

The problem was simply this. For many years prior to the arrival of the nonscheduled or irregular carriers, the scheduled airlines had operated under a detailed scheme of economic regulatory controls which provided for the regulated carrier a mixture of benefits and burdens—a system calculated to provide the public with airline service where and when it was needed, at a reasonable cost. The carriers thus regulated were authorized to serve routes on which there were usually a mixture of good traffic generating markets, and markets which in and of themselves could sustain the type of service that the public required. In addition, the carrier was subjected to constant regulatory supervision as to the adequacy of the service he was performing.

Then came the so-called irregular or nonscheduled carrier, who received authorization to conduct an irregular and infrequent, individually ticketed service. These carriers not subject to detailed regulation were under some economic compulsion to try to have the best of all possible worlds—to garner great benefits while shouldering few burdens. They sought out the finest travel markets, restricted their services to those markets, and proceeded under various schemes to run their services as regularly and frequently as they could. The Board sought to enforce their regulations in order to avoid this obviously unequal competitive battle, and through endless and futile enforcement proceedings sought to force the irregular carriers into the mold the Board had prepared for them.

The scheduled carriers, concerned that the regulatory concept to which they were subject not be destroyed, entered this controversy with great vigor and enthusiasm. Many arguments in Congress resulted. Litigation was constant. The Board finally turned to Congress with the problem, and everyone involved recognized that sensible conclusions had to be reached as to the respective roles of the two types of carriers, so that controversy could be ended and the carriers could proceed to the development of air transportation and good public service without devoting time, attention, and effort to fighting with each other.

The important thing that Congress did was to draw a line that was clear and one that could readily be understood. The irregular carriers were to be charter operators, and they were not to engage in individually ticketed transportation. The solution to the controversy produced a favorable effect upon the supplemental carriers, which is well

documented. We will talk about that effect a little more later. The favorable effect on the air transport system as a whole is quite clear. The reason we oppose this bill so vigorously is that it begins a process which can only end by a return to the chaotic situation which existed before Congress solved the problem.

The role assigned to the supplemental carrier industry by Public Law 87-528—that of charter specialists supplementing the services of the scheduled route carriers is a logical and suitable one for them.

By its very nature, though, this places them in the flexible position of being able to pick and choose the air services they will provide within their geographical areas of operations, which in some cases are worldwide, without any of the concomitant service obligations which a regular route certificate entails. They are thus free to select the markets they will serve and when and how often they will serve them. Small traffic generating points can be and are ignored; seasonality problems can be disregarded, as can weekly peaks and valleys.

So long as their certificates are limited to true charter transportation, the lack of such specific service responsibilities is a proper characteristic of their authority. This clearly would not be the case if individually ticketed transportation could be provided to the general public. This would be true even under the Board's present inclusive tour requirements, much less under the almost *carte blanche* authority entailed in the proposed legislation.

It would simply make no regulatory sense to allow this class of carrier to invade at will, under no real regulatory constraints, the markets which the scheduled carriers have assumed the obligation to serve—a right to enjoy the benefits of these markets without any corresponding duty to provide adequate service to these and other less lucrative points on a day-in and day-out, year-round basis.

This was the precise situation which Congress remedied in 1962. It would be a complete reversal of this determination of congressional regulatory policy to permit the same thing to happen again.

There can be no real doubt that inclusive tour charter authority conferred by statute would have this practical effect. The inclusive tours offered by the supplemental carriers are indistinguishable in nature from the traditional tour services of the scheduled carriers. In fact, considerably less in the way of the usual tour land arrangements is required to be offered—simply hotels and ground transportation which virtually all travellers must utilize in any event. And, under the proposed legislation, this would be eroded even further so as to allow individually ticketed transportation to a single point. Thus not just the tourist trade of the scheduled carriers is threatened.

Any supplemental carrier is free, of course, to make application to the Civil Aeronautics Board for a regular route certificate, and to assume the obligations which the issuance of this type of certificate would entail. Grant of such an application would involve giving up its status as a supplemental carrier, since the line of demarcation drawn by Congress in 1962 expressly provides that a carrier cannot hold both classes of authority at the same time.

This has been done in the past—Seaboard World and Trans Caribbean, for example, were both formerly nonscheduled carriers. And it is still being done today; two of the largest of the supplemental carriers, World Airways and Trans International Airlines, have

applications pending before the Board for regular route certificates. This is the answer to any supplemental which finds the statutory limitations of its role too confining—not the proposal to effectively end the distinction between the two classes of carriers. It must make the choice, however; it cannot expect to have the best both worlds without the strictures which each entails.

In the CAB examiner's recommendation in connection with the supplemental air service proceeding in 1965, the examiner concluded, in essence, that the all-expense tours offered by the scheduled carriers furnished the same public service features as those then proposed under the all-expense tour charter program. That conclusion was valid in 1965 and experience has proven that it is equally valid today. Nothing in the inclusive tours which have been operated, nor in those which have been approved by the CAB for operation in 1968, would indicate anything different.

As noted earlier, the very term itself tends to be misleading because the word "inclusive" connotes something more in the nature of the familiar all expense tour—more than most inclusive tours offer. Even the term "tour" is a misnomer under these circumstances.

While some go further, most of the so-called inclusive tours basically offer to make available to individually ticketed passengers air transportation to three cities and airport ground transportation and hotel arrangement while in those cities. Attractions which most people think of as part of a tour—such as sightseeing trips—are either left up to the devices of the individual traveler or are offered as optional "add ons" at extra cost. Meal arrangements while at the various stops are rarely included in the basic price, but again are offered as optional "add ons."

In fact, most of the brochures make a point of emphasizing that such tours are available to individuals, and there is no regimentation. The brochures highlight the "at leisure" days at the various cities.

Clearly, therefore, experience under the inclusive tour program demonstrates that there have been no startling new innovations offered to the public but that, instead, these tours offer only that which has always been available to individually ticketed passengers on scheduled airlines—transportation and hotel arrangements.

The scheduled airlines, on the other hand, offer genuine package tour programs which go well beyond these minimum arrangements; programs which are carefully designed to fit the particular needs of various segments of the traveling public. These individually ticketed air tours have been offered by the scheduled carriers for many years. They offer the traveling public a wide choice of tour packages. The May issue of the Register of Advertised Air Tours issued by the Air Transport Association, for example, contains a listing of over 1,000 domestic tours. Publications of the International Air Transport Association contains listing of several hundred more international tours. Actually, over 20,000 different itineraries. Another publication, the Consolidated Air Tour Manual, is distributed to travel agencies and to the offices of participating airlines—13,500 copies in all. This publication contains over 800 pages of tours to key vacation and resort locations throughout the United States and nearby areas.

The scheduled carriers, with the strong assistance of the travel agency industry, have always vigorously promoted the domestic and inter-

national tour market. In 1963, sales of such tours amounted to almost \$100 million. In 1966, almost 2 million tour passengers, representing \$251 million in sales took advantage of the scheduled carriers' tour program. In 1967, these figures had risen to almost 3 million passengers and \$344 million in sales, an increase of 47 percent in passengers and 37 percent in revenue over 1966.

The scheduled carriers' promotional programs for 1968 are designed to continue this increase and at the same time to encourage travelers from foreign countries to visit the United States.

Experience amply demonstrates that the operation of inclusive tour charters by the supplementals has not opened up new air transportation markets or origins and destinations which proponents of the program claimed in the past would be the case. According to CAB statistics, 167 supplemental carrier inclusive tour charters were operated in 1967. None of these was to new markets. To the contrary, 140 operated to Hawaii, seven operated to the U.S. west coast and 20 operated from the United States to Europe.

Inclusive tours planned for 1968 are indeed ambitious. Through June 1 of this year, the CAB has approved 877 of them and there are still several months to go. But again, of these 723 are for operation to Hawaii, 92 to other U.S. domestic destinations, 26 from the United States to Europe, with the remaining 36 to other destinations such as the Far East, South America, and the Caribbean. None, by the way, are for tours from foreign countries to the United States—in stark contrast to the assurances by the proponents that there will be a massive infusion of new foreign visitors under the inclusive tour charter program, with a resultant salutary effect on the balance-of-payments deficit.

We see, therefore, that the supplemental carriers are not providing a new, unique, or different service, but rather have merely duplicated the individually ticketed tour services already offered by the scheduled carriers.

The charter transportation market which the supplemental carriers have been granted the right to develop and serve is one of almost unlimited economic potential. There clearly is no economic need or justification for them to have access to individually ticketed air travel as well.

Military charters, single entity charters for some of the Nation's largest corporations and pro rata charters to members of bona fide affinity groups constitute the vast preponderance of their present traffic and revenues and have been almost entirely responsible for the impressive financial position enjoyed by these carriers today. Last year's revenues from inclusive tour traffic totaled only an estimated \$6.4 million, or but 2.5 percent of gross operating revenues.

It is evident that the supplemental carrier industry has been enjoying very significant increases in traffic as its members continue to modernize and offer increased capacity. Indeed, they have been experiencing a recent unparalleled period of profitability, with the years 1966 and 1967 being the most prosperous in the industry's history. Significant gains were made in both absolute numbers and percentage increases. Gross operating revenues in 1967 reached \$259 million, up 23.9 percent over the \$209 million in 1966. Net profit after taxes amounted to \$20 million in both 1966 and 1967. The rate of return on

investment amounted to 13.7 percent for the supplemental carriers in 1967—well in excess of the 8.2 percent earned by the major scheduled carriers that year. Moreover, net operating profit for the scheduled airline industry declined 27.6 percent in 1967, a downward trend that continued, and even accelerated, in the first quarter of 1968.

As we have seen, the attainment of this healthy financial position has been accomplished without any significant contribution from inclusive tour operations. Thus, the supplemental carriers clearly do not need inclusive tour authority to achieve profitability, or to remain economically viable.

Congress in 1962 made a legislative policy determination which was intended to be dispositive of the question of the future role to be played by the supplemental carriers within our national air transportation system. It drew a precise line of demarcation between charter transportation which they were authorized to provide and individually ticketed transportation which they were not, except for temporary periods under very limited and special circumstances.

The proposed legislation would abridge this sound and carefully considered congressional policy determination, and would establish instead a radically different plan which would do violence to the present system of regulatory control over air transportation in this country. No valid reason for doing so has been presented.

Certainly, no public interest objectives would be served thereby. No new or unique programs would be made available to the public which are not provided today by the scheduled carriers. No genuine economic need exists for the supplemental carriers to be granted this type of authorization; their present impressive financial posture has been attained almost wholly by the provision of true charter transportation services.

All in all, adoption of S. 3566 would be a retrogressive step in the legislative formulation of a sound national transportation policy. It should be rejected by the Congress.

I thank you, Mr. Chairman.

Senator MONRONEY. Thank you, Mr. Tipton, for a very comprehensive statement outlining the problem that the committee has.

As I see it, having experienced the long, drawn out, and sometimes heated division between the House and the Senate, the problem still exists in the minds of the ATA that existed then with this committee at the time we originated and passed the first supplemental legislation.

I am rather proud of that legislation. I think it has created a new industry, one that has been able to serve the public need, because it has been widely used. At the same time, the competition has not suffered to the great extent that we were warned about, of bankrupting the regular scheduled lines that were then acquiring more modern equipment.

We have seen the burgeoning traffic that has gone on in both fields. We are split here with about the same issue that split the House and Senate conferees.

I would be less than fair if I didn't say that having been chairman of the conference committee that tried to resolve the differences between the two Houses, that contrary to the statement of the Members of the House at the time the bill was passed and some of our own colleagues, supplementals were not prohibited from the business of all-inclusive tours. This was the stumbling block.

The Senate, in order to get a bill, agreed to strike the specific language, but we didn't yield on the point and never intended to, that this would go out. The bill was intended to give the CAB authority to decide that.

Later the courts have divided almost as diametrically as the Congress was. We have one court holding that the CAB did have the right to provide all-inclusive tours, and another court holding that it didn't. Now the Supreme Court has split diametrically.

So, it throws the matter before us on a wide open question that is up to us to resolve in the matter of legislation. For that reason, I was privileged with my colleagues to introduce this bill to see if we could prevent a disruption of the services.

It seems to me, and I wonder if it does to you, that the heavens have not fallen in on the scheduled airlines, to bankrupt them or to do them financial damage in any great degree while the little brothers of the schedule lines, the supplementals, have been doing well, too. They have an extremely good safety record. There are none of the abuses that were so apparent before the licensing, inspections, and certification were provided by legislation. It largely disappeared, it practically totally disappeared, and they have found a profitable market that was apparently not particularly filled by the scheduled lines.

The idea of them graduating into scheduled carriers—you mentioned, I think, Trans Caribbean has graduated, I think, into a regular carrier—but I don't think there is any welcoming committee of ATA to greet them as they apply at the CAB for this great token of recognition.

For that reason, why, most of them have been doing rather well on their own. You do provide all-expense tours; do you not?

Mr. TIPTON. Yes. The scheduled carriers provided such tours in vast numbers. This is the book: "Consolidated Air Tour Manual."

Senator MONRONEY. That deals with the scheduled—

Mr. TIPTON. The all-expense tours or package tours presented by the scheduled airlines. There are thousands of them.

As I said in my statement, vast numbers are sold. That is the point, I think, Mr. Chairman. I recited the history of the Congress consideration of this matter, not for the purpose of trying to prove one way or another the effect of Congress determination. I recited that for the purpose of indicating what the effort was, what the Congress was trying to solve.

The Congress was trying to draw a clear line of demarcation between the supplemental carriers' role and the scheduled airlines' role, and the reason they were trying to do that is they had been constantly beset by fights between the two, and the reason that that event occurred was because the Civil Aeronautics Board had tried to define that role, but they defined it in a very fuzzy, inexact fashion, so that they were never able to enforce the regulation they tried to lay down.

Congress sought to draw this line by saying the supplementals shall deal with charter service and they shall not deal with individually ticketed service, a perfectly clear dividing line. The inclusion in the authority of the supplemental carriers of provision for individually sold tours goes over that line and opens up a vast opportunity for individually ticketed traffic and again makes the dividing line fuzzy and inexact.

So, the reason we are arguing here so strongly is that we just don't want to go through that process again, of this wavy line which does not really effectively separate and define the roles of the carriers.

Under an inclusive tour concept, all a supplemental has to do in order to sell individually ticketed traffic is to secure a tour operator to sell it for him. That is just not very difficult to do. So, you have a possibility, a very strong possibility, a probability, of the individually ticketed service being handled that way. Actually, a very high percentage of our traffic is sold by travel agents, too, so that there would be no distinction between the individually ticketed services offered by one and by the other.

So, by going through a very easy process, the supplemental carrier can step out of his role and into the one which the Congress, we thought, had assigned to the scheduled carrier. That is the reason for our concern and the reason for my recitation of the long history, because I think we need to be reminded of that history. It did none of us any good. It was that definition, so wisely provided, that made it possible for both supplementals and scheduled carriers to survive.

I think it is terribly important in reviewing this question of policy that you come out with the conclusions again that supplemental carriers not have individually ticketed authority, either directly or via a tour operator or travel agent.

Senator MONRONEY. We took particular care, Mr. Tipton, in drafting the bill to confine marketing authority to the travel agents and not to give individually ticketed authority to the lines. This was resolved in the legislation that was requested. I endeavored in the other committee to hold the authority to that which we have.

I don't know how you would go about a supplemental operation without having someone to organize the charter and to sell through a travel agent, these tours. People just don't go down with \$400 or \$500 in their hand to an airport and say, "I want to get on the next supplemental plane that is leaving for Timbuktu."

If you're going to have this service, with the frequency which it is used by a large group of American citizens seeking a low rate and sometime inconvenient times of arrivals and departures, to make utilization of the plane greater, with no guaranteed protected route that they can regularly fly, how could you go about it in any other way?

We have specifically prohibited the individually ticketed business. You have both at your disposal and no one is complaining about that. I do feel that a charter load of people going to the same place at the same hour and departing en bloc at the same hour, is a different type of service, and can consequently be less costly to the Americans who have travel lust for far away places.

I'm kind of puzzled at your statistical argument on page 18. You seem to show with an increase of 47 percent in passengers and 37 percent in revenue over 1966 of the scheduled carriers with assistance from the travel agency industry that this competition hasn't been devastating because there has also been a rapid growth on your own lines. Maybe they have stirred up travel, perhaps less convenient but still less costly; those tours have stirred up other business for next summer's trip by a lot of people who said we will try the scheduled airline's all-inclusive tour.

Mr. Tipton. May I comment on that? As I have said in my statement, the use of the inclusive tour authority by the supplementals has been quite insignificant as far as their total operation is concerned up to now. This legislation provides a whole new deal, and lays down very clear and extremely broad authority for this type of operation.

So, what we are doing is looking down the road a little bit to examine the type of operations that can be conducted and the anticipated effect upon the regular route carrier. We always had the problem, and this is the basic one, of one group of carriers, the scheduled ones, being required to maintain services all the time over good routes and bad ones, and if their good routes then can be paralleled by carriers that can pick and choose their operations, it provides a difficult and, in our opinion, destructive regulatory and competitive situation.

We are awfully anxious that that be avoided. If a brandnew authorization is given to the supplemental carriers, we are concerned that this is exactly what is going to happen. I think the fact that it hasn't happened yet doesn't solve anything. We have to look down the line.

The best air transport business in the world has to be able to pick a heavy traffic market, presumably a long-haul one, and be able to move over that with close to solid loads. If you can do that, you can charge very low prices and in the process get very rich.

Thus, there is an economic compulsion on anyone in the business to try to do that, and that is the reason we are so heavily regulated, so we can't.

Giving individually ticket authority to the supplemental permits them to take advantage or to succumb to this economic compulsion, move in on the best routes and, under the guise of tours, utilize that for virtually completely unregulated transportation. That is the problem. That is what we are concerned about.

We are anxious that it be avoided. We hope that the supplementals will be held to their authority to conduct charter services which are full plane operations chartered to groups, corporations, military, and the like.

Senator MONRONEY. You are talking about getting back to consanguinity so that people born in the dark of the moon in the month of March would have to certify with a blood test that they have a consanguinity in order to form a charter flight.

It is the same problem and the same argument we had before. It was crippling in the extreme. It was made to blockade and prevent the very profitable small business operations which has developed into a rather substantial operation now.

At the same time, by your own figures, your traffic has grown since 1966 by 47 percent in passengers. It was my intent in introducing this bill to give the supplementals precisely the same authority previously granted by the CAB, and they have been operating that way during this same period you have shown this 47-percent increase in the scheduled carriers on the international and domestic tour market. I can't see damage there.

We will review your comment that the bill goes beyond this. If it does, the bill can be amended to achieve my original purpose, and I think that of the committee.

If that is done, would you still argue that individually ticketed services are involved?

Mr. TIPTON. Yes, Let me be awfully clear about when I'm talking about individually ticketed services. The inclusive tour, the way the Board had dealt with it, and the way the carriers have dealt with it, is by definition an individually ticketed operation. You just sell it through a tour operator. Most, I guess 65 or 70 percent of international air transportation is sold through travel agents in the normal course of business.

So, merely introducing between the carrier and the traveling public a travel agent doesn't change the individually ticketed character of the transportation in the slightest. That is as clear a criticism of the Board's regulation on inclusive tours as it is in any of the bills presented before the committee. They all have that—at least we so regard—fatal deficiency, in that they change the role of a charter operator fundamentally.

Senator MONRONEY. I don't see how it would affect your lines. I don't see how you could expect the charter operators, the supplementals, to have anybody on their chartered planes unless somebody organizes the hour.

You say, well, OK, the presidents of the Rotary Clubs can organize these tours, and they can go to Hong Kong and do whatever they want there, or you can organize a group of the bricklayers union.

But there you would stop, and you would take away any commercial connection, so that a group who would like this consanguinity available to them because of lack of organizational capability, a tour within the reach of their pocketbook would be unavailable.

I think it is an untenable position as far as the committee is concerned, as far as I'm concerned at least, to say that these people should be so deprived. Say Joe Jones has chartered a flight to leave on the Fourth of July from Will Rogers International to make Rome, Paris, and so forth. You expect a planeload of people having seen a little newspaper squib—I assume advertising would be prohibitive under your concept—to show up on the departure date or to telephone ahead of time to the head of the carpenter's union that they want a reservation there, because they would have to be a carpenter, is that correct?

Mr. TIPTON. One thing I haven't made clear. The point we're making is that the supplementals are in the business of selling full-plane charters to groups that purchase the charter. They can sell those either directly by themselves, as they do sometimes, or they can sell them through a travel agent.

The point we're making is that the individually ticketed charter tour customer is an individually ticketed tour customer, and he looks to the scheduled airlines to provide his tours.

The scheduled airlines provide them in vast quantities and great variety, and at approximately the same price, sometimes lower, sometimes a little higher. It seems, in looking at the tours that it is just that, sometimes a little higher, sometimes a little lower than the supplementals. As far as the individual tour customer is concerned, he has available to him, through the scheduled service, virtually anything he wants to do, and at a fair price.

So, the supplemental carrier can sell charters and does, and they sell them in vast quantities, themselves or through travel agents, but the thing they sell is not individual customers but groups bought by a

single unit, by a corporation, by a club, by an organization created for purposes other than travel.

Senator MONRONEY. I think we are a bit off the subject as to the ticketing, because, as I read it, since this continues exactly as the CAB authorized, there is no authority for individual ticketing. We are talking about all-inclusive tours, and this is the issue that we're trying to correct.

If the service is desirable as a part of the air service, this is something you do in all-inclusive tours, you shouldn't deny that to the supplementals whose principal source is low-income groups, having so much money to spend and who do not enjoy the reservations at the Hiltons around the world or the airline-operated hotels.

A fat chance you would have to unload a hundred passengers at Istanbul or someplace like that, and walk into a Pan American-operated hotel and have a hundred reservations there for them to occupy.

My good friends who travel scheduled airlines tell me of difficulties in getting hotel accommodations. If we are going to see the service rendered, I think somebody has got to organize this.

Mr. TIPTON. The scheduled airlines are doing it, including high-priced hotels, low-priced and medium-priced hotels, low-priced meals, high-priced meals. It just pushes their tour rate up and down.

I do hope that word won't get around, that the scheduled airlines are not relying upon the patronage of low-income groups. We can't transport 133 million ticketed passengers every year without dipping pretty deeply into the low-income groups.

If the committee were to examine the character of the tours, they would see you can have about whatever you want. If you examine prices between supplementals and scheduled carriers, you will find them just about the same. Sometimes the scheduled airline offering is lower for the tour, sometimes it is somewhat higher. The point I'm making here is that based on all experience up to now, no one can say that the patronage of the supplementals are low-income people and the patronage of the tours on the scheduled airlines are high-income people. They are all the same people.

Senator MONRONEY. But I, as an individual, can walk into TWA or Pan American and buy an all-inclusive tour, can't I?

Mr. TIPTON. Yes.

Senator MONRONEY. And I can go at any time I want to go?

Mr. TIPTON. Yes.

Senator MONRONEY. I can leave at midnight or I can leave at a convenient hour, I can wait 2 hours on the taxiway at John F. Kennedy and enjoy a 4-hour flight in 6 hours because of air traffic delay, but don't you think you have got a little more to offer by having a departure every few hours to anyplace in the world than a supplemental that says we are going to have a plane leaving on the Fourth of July and the next one will be leaving perhaps on August 1?

Certainly, I don't think you are suffering any great degree of unfair competition, and the terrible responsibility that your scheduled airlines have that you have mentioned so often, in fulfilling their routes, seems to me to be partly a blessing at least, because you have protected, and very carefully, selected additions to the routes, by your own scheduled competitors or others trying to break into the field.

So this is not a liability that you have to fulfill these schedules. It is protection to you against an abnormal or destructive competition on these regular routes. So, I just don't think there is really a competitive situation involved, at least this committee doesn't have that matter before us.

What we have before us is a simple clarification of language which is in doubt in both the courts and in the two Houses of Congress: Whether these people are going to have the all-inclusive tour provision.

I wish they would go a little further. I have been urging them to pay the tips, particularly on the reverse travel, so that Europeans can come to America knowing that they pay \$500 or \$600 for 2 or 3 weeks around a certain schedule. They can't vary at all from that schedule because this is a tour. They can vary any way they wish on a scheduled flight.

To throw them loose in New York City or Miami Beach or Los Angeles, to hustle their own hotels, I think, would be a distinct disservice to the traveling public who have chosen by the thousands to use this type of service.

I see nothing more wrong about that than serving a hot meal or a cold meal or a cheeseburger or whatever it is enroute, or seeing that they keep dry and warm when they land.

Mr. TIPTON. May I suggest this, Mr. Chairman? I think I may be taking up time of the committee in discussing the subject on which we have far more expert people here. Mr. James Montgomery of Pan American and Mr. John Barch of TWA, are succeeding witnesses. Both of those men are in the business of preparing and selling tours in their official positions with their companies. So it will be possible for them to tell the committee in detail what services are offered, how they are offered, and the prices at which they are offered.

Needless to say, I would be delighted to remain here, but I just suggest in the interest of the committee's time, that it might be more useful to cover the important questions you are raising which go to the public services available to the travelers, with them, rather than with me.

Senator MONRONEY. Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman. I think I got your answer on this point, but I would like to specifically query you as to whether or not the changes you have indicated that are in the language of this bill differ from the previous requirements.

If these changes were corrected to conform, would you still then oppose this legislation?

Mr. TIPTON. I haven't gotten the point identified yet.

Senator CANNON. You say, "... the charter of an aircraft or portion thereof by a tour operator ..." and the requirement that the tour must provide overnight accommodations at a minimum of three places no less than 50 air miles apart, other than point of origin (this bill reads: "... 'round trip tour which is to one or more points . . .')." In other words, you're raising the question that this language might permit the charter of an aircraft or a portion thereof to a tour operator and that rather than have the three places no less than 50 miles apart that they might be able to have it to one or more points under this language.

If the proposed language were corrected to eliminate those two points that you make there, would you still be opposed to the bill?

Mr. TIPTON. We would still be opposed to the bill, because the heart of our opposition is the individually ticketed characteristic of inclusive-tours, and even if these were changed in some fashion that characteristic would still remain.

Senator CANNON. I think the chairman made the point there, but I just wanted to be sure that you weren't extending an invitation to supplementals to apply for scheduled routes, were you, to become scheduled carriers, where you suggested that if they didn't like it, they could certainly apply for specific routes?

Mr. TIPTON. I am not extending an invitation, because it is not my role to extend such invitations, but if they applied for a scheduled route they would not encounter the opposition of the Air Transport Association.

Senator CANNON. In listening to your discussion here with the chairman, I'm sort of reminded of some of the matters that I participated in a number of years ago, when certain of the members of your organization had some closed-door restrictions in effect, and we heard this great hue and cry when the moves were made to open up the closed-door restrictions that this was going to dilute their business and result in economic loss and so on.

Actually quite the contrary was true. When the closed door restrictions were removed, the point was made that business benefits business, more advertising was initiated, a more active role to stimulate new business, and my impression is you may be in a similar type situation here. If you have these people going out and working and trying to promote tours as they are doing, you are going to be a beneficiary rather than sustain some economic loss that you indicated you might fear sometime down the road.

Mr. TIPTON. I think the point you're making, Senator, tends to dramatize the point I was making because in those closed-door cases what the Board was doing was making a very careful appraisal of the competitive impact of changed operations. They were measuring the public service, they were measuring the competitive impact on the carriers concerned.

Here we have a situation where there is no process for measurement. The supplemental carrier with its inclusive tour authority can decide to hit the United States-Hawaii market hard and no one measures then the competitive impact of that at all.

The Board goes through these extensive processes to make these determinations in the case of regular route carriers, but then authorizes a group of carriers to pick and choose the route they are going to operate, and no one considers whether that does damage or good.

It is up to the individual determination of a private supplemental carrier as to where he is going to throw his weight and who he is going to hurt and who he is going to help. The Civil Aeronautics Board does that in the cases of the type that you refer to.

Senator CANNON. I must say I'm frankly leaning toward the statement made by Chairman Crooker, earlier, when he said,

On the contrary, eliminating the inclusive tour charter authority will only serve to deprive the public of service, to take away the competitive spur . . . and to take away from the supplementals revenues which will help to sustain them and which is not diverted from the regular route carriers.

I think he makes a very good point there.

Mr. Tipton. I just heartily disagree with what the chairman has to say on this subject for this reason: In the first place, the public is not going to be denied inclusive or package tours. Here is the book. They are good tours, and they are sold vigorously.

Senator Cannon. Let me interrupt you there to ask you one question on that. Do you have any statistics that would show the percent of the people under those tours as individuals traveling or couples, as distinguished from groups?

Mr. Tipton. I don't have this at hand. You might well address that question to Mr. Montgomery, who will follow me. He might well have that data.

But there is no lack of competition in the tour field. There are lots of U.S. carriers and they are all competing with each other vigorously to get the traffic away from each other.

In addition to that, in the international service, of course, you have a vast number of foreign flag carriers who are contending for this business as hard as they can contend for it.

So, there is no lack of competition in order to keep people up to snuff.

Senator Cannon. I will reserve some of my questions for the following witnesses, but I would simply want to associate myself with the remarks of the chairman, that I don't agree with the conclusions that you arrive at as a result of the conference and the decision on the bill that finally came before us.

I don't agree with the statements of my colleagues. They were not speaking for me when they made the statements they made here. I think that all we did is leave that question open for the Board to decide, and the Board decided, and, of course, then the courts stepped in and we have had one decision one way and one the other, and this isn't the first time that I disagreed with some of the courts, either.

Thank you, Mr. Chairman.

Senator Monroney. You have repeatedly referred to the penetration of the Hawaiian market. If this is true, then, shouldn't we petition the Civil Aeronautics Board to take away consideration of additional scheduled airlines to Hawaii? It seems to me it must be a pretty good market or you wouldn't have practically every airline in the country and all your members applying for on to Hawaii.

This doesn't look like famine traffic. It looks to me as though the boys are coming in for a feast; and you want to like the little ones away from the table and then divide up the gravy with the other boys who have protected routes.

Mr. Tipton. The supplementals are not such little ones anymore. That is an aside.

Senator Monroney. I think this is to their great credit. They have managed well. They were unsafe, unstable financially. To a degree, some were irresponsible in their commitments. Because they have had a slight crack in the door to get through, you might say, on a certain type of specialized traffic, it has not only become a distinct addition to the aviation preeminence of this country, but it is also returning a lot of income tax for the Federal Government. It has also given us an airlift which has proven quite valuable in Vietnam.

I think we have to count our blessings as well as our disadvantages.

Mr. TIPTON. I can concur with you completely, that the supplemental air carrier industry has improved vastly, both financially and operationally, during this period, but they have done it with insignificant help from inclusive tours.

Let me comment on the Hawaiian situation. Here you have a case of the kind that I was just talking to Senator Cannon about. Here we have the Board going through an extensive proceeding there. What they are doing is measuring the need for service between, in this instance, the United States and Hawaii. They are doing it very carefully. That case has gone on endlessly. They may well authorize additional service there.

The point we have here is there isn't going to be any study or any proceeding to determine whether the services of the supplementals are to be laid on between the United States and Hawaii. They can sit in their offices and decide they're going to hit Hawaii, and no one is going to help them pass upon that question.

They are going to hit it, and they are hitting it in vast numbers. This is the distinction we are trying to draw, that you give a carrier complete freedom to go where he pleases and create whatever competitive impact he wants to create, and it is his decision.

Senator MONRONEY. In the Hawaiian market, I note here, there is some testimony we had yesterday on the increase in the traffic which I think is significant. This is on page 5 of the testimony of Mr. Glenn Cramer, president of Trans-International Air Carrier Association. He said on page 5:

It is interesting to note the dramatic increase in 1967 over 1966 of the vacation traffic to Hawaii from States in which AITS began selling vacation packages in 1966 and which States are away from the principal trunkline routes. With a national average increase of 43.5 percent in 1967 traffic to Hawaii over 1966, the increase from North Carolina for instance was 123.6 percent; West Virginia 110 percent; Kentucky 99 percent; and Iowa 75.9 percent.

Which indicates there is a market that is not well served; at least to me it indicates that it is not well served by trucklines, and people in these States like to originate charter flights within their own States and find it economical, convenient and timesaving in order to have this ability.

Mr. TIPTON. The Hawaiian market is a rapidly growing one. I haven't the slightest hesitancy in stating that that market has been developed by scheduled airline service which is excellent and low priced between those points.

It has not been developed, in our opinion, by the use of inclusive tours to Hawaii available in our book.

Senator MONRONEY. Would you say for the record that had it not been for the all-inclusive tours that were advertised and made available by travel agents on the supplementals that the trunklines would have such low prices?

Mr. TIPTON. I'm not sure I understand the question. I would say that as far as service to Hawaii and development of that market is concerned, it has all been a part of the scheduled airline effort in the past, oh, decade, I would guess, in trying to expand its handling of personal travel.

That began a long time ago, with heavy efforts and special price arrangements, to attract the personal traveler to the scheduled airline. It has been successful. Hawaii is a part of it.

Senator MONRONEY. Do you have any further questions, Senator Cannon?

Senator CANNON. I just was going to comment on one point, to get back on this individual ticket thing, the rule provides, this is subdivision 5:

An aircraft under charter to one tour operator may carry a maximum of three tour groups providing that if more than one group is carried each of the groups consist of 40 or more tour participants.

I think that is quite a good protective feature there, don't you, as distinguished from the airlines who are selling to and advertising to individual Joe Doaks, me, or me and my wife, or someone else and their girl friend to go on a tour other than a group?

Mr. TIPTON. No; I don't think it is a significant protective device because the supplemental carrier was supposed not to engage in the individual ticketing of passengers. Whether it is rigged up in that fashion or any other fashion, it can just sell them through a travel agent. You don't change the character of the service by introducing an intermediary. Everybody sells their transportation that way, and I don't think it is a protective element at all.

Senator CANNON. When you sell through the travel agent with these constraints, aren't you actually selling, let's say, to a group of 40 people, exactly the same thing; whereas the airline may be selling 40 different things to the same 40 people?

Mr. TIPTON. These 40 people are not necessarily a preexisting group. They are not necessarily a club or anything of that sort. They are just the first 40 people who walk into the agent's office.

Senator CANNON. I understand that, and there are likely to be 40 people from one of these areas that the chairman just pointed out that have not had service, and really have no available through service to go to these places they are going. This is a completely new world to them, and they are selling 40 people to go exactly the same places on a tour. It is really something that hasn't been available before.

Mr. TIPTON. As I say, the tours are all the same. They are all sold in the same fashion.

Senator CANNON. All right, Mr. Chairman.

Senator MONRONEY. Again, the issue here, and the only issue, has nothing to do with individual ticketing because we haven't changed the bill in any regard from what the Civil Aeronautics Board has evolved after long hearings, careful considerations, and, I'm sure, fairness to all parties concerned, at least by their lights.

The language which the Senate wrote into the bill was put in to help them have a service that was at least not exploiting, publicity-wise, an all-inclusive tour.

It is inconceivable to me that the great scheduled airline industry that is the marvel of the world would act like a lion running from a mouse, because these people are going to be able to book hotels ahead of time and let the buyer know what the whole trip from home to Timbuktu and back is going to cost them, so they can withdraw their savings and take this trip.

You hold a certificate of convenience and necessity. I say it is convenient and necessary to fill the gap of travel that is desired by lower income groups; I think it is being selfish in the extreme to say, you can't let us include the hotels or the bus tours or the meals in the hotel.

Sure they are going to pay, as you say in your statement, for hamburger that is bought when they are out looking at the beach or something of that kind. You expect to do that.

Senator PEARSON. Would the chairman yield?

Senator MONRONEY. Yes.

Senator PEARSON. You indicated we were with this bill ratifying the CAB position. Mr. Tipton, you contend otherwise, don't you? You contend that this bill goes beyond ratification of the CAB and beyond at least the Congress intent after the House overcame the Senate position?

Mr. TIPTON. Yes.

Senator PEARSON. Will you run through that again? I apologize, I went to an Armed Services Committee.

Mr. TIPTON. The contention is this—

Senator PEARSON. To what extent do we go beyond?

Mr. TIPTON. This bill goes beyond the CAB's determination by authorizing the partial charters of inclusive tours. The Civil Aeronautics Board did not permit partial charter of an airplane for an inclusive tour. That is one.

Secondly, the CAB has a requirement that it must include three points. This bill says one point. That is the sort of thing in which this bill goes beyond the present requirements.

I take it that our position is clear here in saying that the Congress should not follow the Board's determination either, but should reinforce the line of distinction that they drew between scheduled carriers and supplemental carriers by not permitting inclusive tours or individually ticketed tours of that sort at all.

Senator PEARSON. Thank you, Mr. Chairman.

Senator MONRONEY. Any further questions? If not, we thank you very much, Mr. Tipton, for your courtesy and as always the completeness of your testimony, sir.

Mr. TIPTON. Thank you, Mr. Chairman and members of the subcommittee.

I appreciated the opportunity to present our views to the subcommittee, as I always do.

Senator MONRONEY. Our next witness will be Mr. James Montgomery, vice president of Pan American Airways.

I am happy to have you back, Mr. Montgomery.

STATEMENT OF JAMES MONTGOMERY, VICE PRESIDENT, PASSENGER SALES, PAN AMERICAN AIRWAYS, NEW YORK, N.Y.

Mr. MONTGOMERY. Mr. Chairman and members of the Aviation Committee, my name is James Montgomery. I am vice president of passenger sales of Pan American. I am representing this morning Mr. Najeeb Halaby, our president, who asked me to extend his apologies for the fact that urgent and unexpected business affairs called him away from Washington earlier this morning.

Pan American joins with the other scheduled U.S.-flag carriers in opposing the proposed legislation. As Mr. Tipton has pointed out, the proposed legislation would fundamentally change the sound regulatory system established under existing law. The carriers certificated to provide scheduled service under that law have the obligation to operate on a year-round basis regardless of whether the loads are good or bad. Charter operations, on the other hand, are conducted only when the price for a full load is obtained and the operation is profitable.

Accordingly, the Congress has wisely provided a basic distinction between the charter business operations to be offered by supplemental carriers and the individually ticketed operations of the scheduled carriers. The proposed legislation would destroy this fundamental distinction and would permit the supplemental carriers to have access to a major part of the individually ticketed air travel market with freedom to operate when and where they choose, based solely on profitability. This would not be a matter of minor diversion of traffic or invasion of some peripheral fields of operation. It would be a matter of fundamental importance for the scheduled carriers. It could undermine and, in the long run, destroy the basic air transport system. It will certainly weaken the ability of the scheduled U.S.-flag carriers to meet their foreign-flag competition. We, therefore, wish to lend our strong endorsement to what Mr. Tipton has said in this regard.

It is important to emphasize that inclusive tour charters, notwithstanding the nomenclature, are in reality individually ticketed travel for individual members of the public. They are marketed and promoted to individual members of the public, not to preexisting groups. Moreover, it should be clear that the so-called restrictions in the Board's regulations—at least three places included in the tour, minimum time period of 7 days, land accommodations, et cetera—do not operate to distinguish inclusive tour charters from individually ticketed travel. This can confine the supplemental carriers to the group charter market and to exclude them from individually ticketed service.

Senator MONRONEY. Thank you, very much for your very helpful testimony, Mr. Montgomery.

I still must respectfully disagree that this bill has anything to do with individually ticketed traffic. This is an assumption which seems to be part of a creed that your scheduled airlines have adopted. Yet I fail to find anyplace in the bill that includes it.

Do you have any language that you would like to submit for an amendment to make sure that there is no individual ticketing done? The committee has gone through it with a fine-tooth comb and changed some language. There has been suggested modification of language by the CAB.

It is the purpose of this committee to refrain from individual ticketing and to continue the very careful system that has been worked out by the Civil Aeronautics Board.

Mr. MONTGOMERY. Mr. Chairman, I don't think there is any language that would answer the basic problem. Perhaps I would illustrate it in one way.

Suppose the tour operator, a group of tour operators working with the supplementals, has set up a series of packages to Europe, shall we say, with specific departure times on proper days of the week during the peak season. They introduce those to the first people who

come through the doors of the travel agencies looking for such particular tours. They become inevitable competition with us on a major part of our business.

They do not, having enjoyed that peak season traffic, have to work those flights on a cold, wet Wednesday night in the middle of December, which is our obligation, as we understand it, under our certificate.

Senator MONRONEY. Of course, you mentioned the cold, wet nights in December. Try to get an airline reservation to Miami on a scheduled airline, or to Hawaii. In rushing back for an emergency meeting in Washington, if you are abroad on official business and trying to get a reservation on any of our scheduled lines at this peak period as a U.S. Senator on official business, you will have to go through your embassy to get it.

Who is going to fill this void if these men go out of business? They supply planes at peak periods. Otherwise you are just laughed at on almost any reservation that you seek to make through our current service.

Supplementals take care of the overload at times when you are not expected to provide all of the planes necessary to carry this unusual bulge of traffic that occurs at the time people want to travel.

Mr. MONTGOMERY. I hope, Mr. Chairman, and I believe, that no one in Pan American would laugh at anyone desiring a reservation. If I had ever heard of them doing so, I think I would terminate their employment.

Senator MONRONEY. I have had to go through the embassy two or three times to get back on an emergency call.

Mr. MONTGOMERY. There are times in the year.

You mentioned Hawaii, Mr. Chairman. I had a look at our current seat factor to Hawaii before coming down here, and it is only 56 percent, meaning that 44 percent of the seats are going day-after-day empty.

Senator MONRONEY. But you also have a lot of competition for Hawaii by United and by Northwest, probably lots more before you get through this Transpacific case.

It seems to be a market that is growing.

You refer to the lack of growth in Hawaii, the visitor's bureau gain of 18.2 percent between the first quarter of 1968 and the first quarter of 1967, and that in contrast the traffic of scheduled carriers was growing at only one-half this rate, at 9 percent, whereas the supplement carriers had a growth of 220.5. But I think Mr. Tipton's statistics are a little more revealing as to the profitability of the Hawaiian market.

He said, talking about the same type of competitive service:

The scheduled carriers, with the strong assistance of the travel agency industry, have always vigorously promoted the domestic and international tour market. In 1963, sales of such tours amounted to almost \$100 million. In 1966, almost 2 million tour passengers, representing \$251 million in sales took advantage of the scheduled carriers' tour program. In 1967 which figures had risen to almost 3 million passengers and \$344 million in sales, an increase of 47 percent in passengers and 37 percent in revenue over 1966.

Mr. MONTGOMERY. I think I must point out that those are worldwide increases, and during the period that Mr. Tipton was talking about the supplemental inclusive tour charters were really at work on the

Hawaii route. There were, if I recall, only 20 ITC's operated to Europe during the entire year.

What will happen in the future is what is a matter of our deep concern.

Senator MONRONEY. But you are doing pretty well right now, and you are meeting the competition, and this is a competitive system. We protect you on your regular scheduled lines. You can't get a route to Hawaii or to Thailand or Hong Kong or other places unless it is shown that the traffic that will be generated will support the additional service. So you have a great fund, worth hundreds of millions of dollars in franchised routes. No route in the world is given to an airline such as you have, and have enjoyed over the many, many years. And you have fulfilled that trust with great distinction, I might say, and have carried the flag with pride.

All we are trying here to do is what the Senate itself insisted on doing when original bill was passed, and what we insisted on doing in the conference. ATA didn't incorporate my remarks in the record. I am not going to bore this group here. They quoted all of the favorable ones to their positions. This is a legislative body and we have a minority and a majority. The minority views were ably expressed. I did my best to represent the majority side of the Senate and the majority side of this committee in explaining that matter. I will insert that for the purposes of the record.

(The material referred to follows:)

Mr. MONRONEY. Mr. President, this is a unanimous report of the conferees of both the House and the Senate on the supplemental air carrier bill.

I regret to have to report to the Senate that the bill as agreed upon in conference departs quite substantially from the economic provisions which the Senate has endorsed on two occasions in passing this bill. The conference report contemplates a supplemental air carrier industry much more limited in terms of its role in air transportation than that which was envisaged by the committee and endorsed by the Senate.

The conference report adopts the provisions of the House bill limiting the permanent role of these carriers to charter service. The Senate bill had provided that the Board might issue certificates to these carriers permitting them to engage in individually ticketed operations as might be required by public convenience and necessity, but required the Board to impose such limitations on certificates as are necessary to insure that individually ticketed operations did not result in a significant diversion of traffic from the regularly certificated route carriers.

This amendment was included by reason of the diligence of the distinguished Senator from New Hampshire [Mr. Corron].

I am convinced that the provisions of the Senate bill would have produced a stronger supplemental industry, one better able to serve the needs of the Nation in both peace and war. However, it became apparent the only way legislation could be obtained was by accepting the House provision limiting these carriers to charter operations. The Senate conferees therefore agreed to the provisions of the House bill provided the House agreed to an amendment making temporary provision for limited individually ticketed service by supplemental carriers for a period of 2 years from the date of passage of the act. The Senate conferees felt that such a provision was essential because many supplemental carriers had derived a significant proportion of their revenues from individually ticketed operations. We did not believe that it was reasonable to expect that such carriers could immediately convert to an all-charter operation and still survive.

Section 9 of the bill as agreed to in conference provides that the Civil Aeronautics Board may, if it finds such authorization to be in the public interest to permit an orderly transition to all-charter operations, authorize a supplemental carrier to perform individually ticketed and individually waybilled services for a 2-year period subject to such terms, conditions, and limitations as the Board may prescribe. This authority is subject to the restriction that the annual gross

revenue from individually ticketed services may not exceed the average annual gross revenue from such services which a carrier derived during a 3-year period ending December 31, 1961. It is not the intention of the conferees that the authority of supplemental carriers to perform individually ticketed services be further restricted by the Board in the absence of some special circumstances requiring it. As a general rule, it is intended that these carriers be permitted to perform individually ticketed services provided that the revenues therefrom do not exceed the statutory maximum. Some discretion should be allowed in order to give the carriers a fair opportunity to adjust their operations to an all-charter authority.

The charter definition contained in the Senate version of the bill was omitted from the bill agreed to by the conferees. This was done unilaterally by the Senate conferees because of the decision which had been made on individually ticketed authority. The charter definition would have operated to prohibit the granting of split charters—that is, the transportation of more than one charter group in a single aircraft. We felt that the Board should be left free to determine on its merits the desirability of permitting the supplemental carriers to conduct such charters, in view of the fact that the charter business will ultimately represent the only source of revenue for these carriers. Another reason why we desired to leave the Board sufficient flexibility so that it might permit split charters was the effort of the Defense Department to encourage these carriers to acquire modern turbine-powered equipment for the civil reserve air fleet. The size of such aircraft makes it virtually impossible to find a charter group sufficiently large to fill an entire aircraft.

In contrast to the economic provisions of the bill, I am happy to report that the essential objectives of the Senate provisions with respect to minimum service requirements, standards of financial fitness, liability insurance, performance bonds, and the filing of reports, were retained in the substitute agreed to. However, the substitute agreed to is in several respects more strict, and certain language clarifications of the Senate provisions were adopted in order to provide more efficient and expeditious administrative enforcement.

Mr. President, this bill is a far cry from that which the Senate committee recommended and which the Senate passed. However, I am convinced that its advantages far outweigh its disadvantages. It should give the supplemental air carriers a permanent place in the aviation community and permit the Board to restrict its membership to carriers whose managements have demonstrated their willingness and ability to conduct safe operations in accordance with the Board's regulations. This industry deserves an opportunity to grow and develop as a national transportation asset, and this can only come when we put an end to the uncertainty as to its legal status through which it has suffered for so many years.

Senator MONRONEY. I know France has a very prosperous supplemental type of operation; I believe England has. What other countries? Olympic, I believe, of Greece.

Mr. MONTGOMERY. Olympic isn't a scheduled line, Mr. Chairman. In France the only big supplemental type of operation is run by a subsidiary of Air France. In England there are, as you say, strong carriers, and there are a couple or three in Germany.

Senator MONRONEY. The supplemental carriers of these countries will be able to quote services beyond that which you would have our own carriers do, and you would be the first one to complain to the Civil Aeronautics Board, I am sure, if you were given less privileges in your own country than foreign-flag lines are given coming here.

It seems to me it would be working a disservice on our own supplemental carriers if we say no, you can't have all-inclusive tours, because this is what this is all about. But the competition is going to offer it, and they are going to operate here and they will suck some more dollar flow out of this country.

I am confident of the efforts you are making to help make up some of this. I have had assurances from these gentlemen who operate these rather successful supplementals that they are going to do all they

can to promote reverse tourism. But you know as well as I know, more than I know, sir, that Europeans like to travel on all-expense tours. When you see some Germans running around anyplace in Europe, you know it is an all-expense tour. If they are going to come over here it is going to have to be an all-expense tour.

They don't understand our money. They don't understand the normal charges that they have to pay. And they want to be sure when they board that plane that everything but the tips, pending an occasional sandwich or something, is included.

I think we would be less than fair to our people if we didn't consider meeting this European competition.

Mr. MONTGOMERY. I agree with you, Mr. Chairman, and I would like to assure you right now that we have millions of pieces of tour literature in Europe and other parts of the world to do precisely that.

I was interested in your remarks that there should be tours with tips included. We have tours with tips included, because we agree with you that this is what the European wants.

The situation within Europe to which you referred I do not think can be taken as much of an example, Mr. Chairman, because whether it be through the fault of the scheduled industry there or not, the rates per mile are much higher than they are in this country due to the development which your committee has fostered so much. There are rates per mile between London and Madrid which in our economy service are 11.1 cents per mile. It is understandable that the supplemental and exclusive tour would find that a happy hunting ground. But that is far from the situation in the rest of the world.

Senator MONRONEY. There are places that you go, and I have traveled some in Europe, that I don't like as well as I do the American lines, but I do it to find out what kind of service is offered and what the flights are, and things of that kind. But to the average person, uninitiated, and lacking the facilities that many of us as Members of the Senate have when traveling, it makes it a pretty difficult thing to go, we will say, from the United States to the Azores and from the Azores to Lisbon on to Grenada and Seville and Madrid. You find yourself flying a half dozen airlines.

I like to find out what the other boys are doing, but a person overseas for the first time finds a pretty hard scheduling problem and finds that sometimes it is Tuesday, Friday, and Sunday, you see, that this plane is going to fly.

If you are going to get a planeload and they are going to have these things spelled out on schedule which, as I understand it, you don't have—I mean you can get this route and you can get the ticket, and you can get the reservations, and you can offer stopovers in your all-inclusive tour that a charter flight can't possibly offer—I feel we are standing in the way, actually, of making a great tool.

No one has done more than Pan American to make it great. I remember when they christened the China Clipper down here the first year I was in Congress. Mrs. Roosevelt christened it. And from that day on I had a new concept of air travel.

But we want to make it available to everybody, make it easy for them, if we can.

I'll bet you that lots of people who take these supplemental services finally become pretty good Pan American passengers when they get

that travel lust and they want to go places where somebody else hasn't been. I think it all adds to the industry.

In other words, I might start out with a used car, I might wind up with a Rolls Royce. It just depends on getting them started.

It seems to me like an elephant running from a mouse, the fear of this individual ticketing; because that is all we are talking about. And nobody yet representing the scheduled lines has come up with how do you ticket if you don't ticket through travel agents. You do.

Mr. MONTGOMERY. Yes.

Senator MONRONEY. You have got your own salesmen on top of the travel agents. These fellows can't afford that. So they depend on travel agents. Who are they going to have? The mayor of the city? The head of the union? The Congress? I have to get reservations sometimes for people who want to go on Pan American.

Mr. MONTGOMERY. There is no objection at all to the travel agents. But the whole process just means that it is individually ticketed because Mr. Smith can come through the travel agent's door in the morning and buy a ticket and Mr. Jones in the afternoon who have never seen each other before.

Senator MONRONEY. This has nothing to do with individual ticketing. It is the same that you have. If you are kicking about what we have had under the CAB, that is one thing; but the issue and the thing that the court knocked out was the inclusive tour. Yet most of the testimony has been on this phantom fear that in some way or another we are going to provide for individual ticketing.

I myself have tried my best to get any threat of that out of the bill, because I felt this would be the point of attack. If you can suggest any language to make it secure without making it impossible to take a charter from a tourist agency and let them sell that tour, I would like to hear it.

It is a lot different from walking down with your checkbook in hand, or your credit card, and saying: "Give me a trip to Stockholm."

Mr. MONTGOMERY. Mr. Chairman, I think it is the issuing of individual tickets to passengers who have the same service available on scheduled services.

You referred, I think parenthetically, Mr. Chairman, earlier to the difficulty of finding the right schedules between points in Europe. The European airline authorities have often said, and I think their case is quite clear, that this is because the inclusive-tour charter development has gone to such a stage in Europe that it has in many instances between countries superseded the scheduled service, taking that traffic away from the scheduled service so it has no capability of operating at the times which the passengers want those scheduled services to be.

I think there is a complete illustration of the danger which we face.

Senator MONRONEY. I mean intra-European travel. You don't go off line, do you?

Mr. MONTGOMERY. We have many local services within Europe.

Senator MONRONEY. I am talking about Pan American. If I buy an all-inclusive tour from Pan American at the kind of rates you suggest, that can't possibly include, we will say, such places as Seville, it would be unlikely to include places like the third or fourth cities; you hit the capitals.

Mr. MONTGOMERY. Yes; by and large. We can charter into Seville with the affinity restrictions, but we can serve Seville with the group individual tours or the individual tourist passenger by connecting services.

Senator MONRONEY. I say you get this Tuesday, Thursday, and Sunday. The international lines for a man on a 2-week vacation make it nearly impossible. With the charter tour such as we are talking about here, there is a distinct service because it is mapped out ahead of time and it goes off route. It will take stuff in that is on TWA, we will say, and some off to Pan American and some off to Alitalia and get you many places. It seems to me that this is a service that the U.S. traveling public is entitled to have, and whatever minor inconvenience or imaginary financial loss must be weighed against the overall good of the public because this is what we are concerned with.

Mr. MONTGOMERY. I think the reports will show, Mr. Chairman, that most of the charters that we are talking about go into London and out of Paris some 2 or 3 weeks later. In between they may have an organized tour. We know from actual observation that many times the coupons for the tour are torn up and the passengers will go elsewhere. That is distinctly competition to the type of work which TWA and we are trying to do.

Senator MONRONEY. Would you prohibit under this all-inclusive tour the right of traveling through Switzerland by rail, for example, or to go by bus through Salzburg or places of that kind? If you strike out the "all-inclusive" language, it would not be able to be sold by a travel agent, and yet it is put together in the kind of tour we are talking about.

Mr. MONTGOMERY. Mr. Chairman, we have tours right today which have rail all around Europe. We have bus tours. The buses are actually the most successful. Of course, we have tours with our airline, interlines around Europe, too, an infinite variety.

Senator MONRONEY. What are your peak periods?

Mr. MONTGOMERY. On the Atlantic?

Senator MONRONEY. Yes.

Mr. MONTGOMERY. Eastbound in June and westbound in September, by and large.

Senator MONRONEY. Would you insert for the record, unless you have it now, the seat occupancy during those 2 months, the average seat occupancy?

Mr. MONTGOMERY. Certainly, sir.

(The information requested follows:)

PAN AMERICAN'S TRANSATLANTIC SEAT FACTORS

[In percent]

	Eastbound			Westbound		
	June	July	Year	August	September	Year
1968 ¹	64.2					
1967.....	68.0	67.7	52.7	80.9	65.9	59.8
1966 ²	73.2	82.2	57.4	91.6	73.5	66.1
1965.....	68.2	65.5	51.8	87.3	72.6	57.5

¹ June 1-13, 1968.

² TWA was on strike during 6 weeks of July and August 1966.

Senator MONRONEY. This is always a question of when people want to travel they want to travel, and they are penalized by working in companies that must arrange long ahead of time and very often this comes at a time when the airlines are running at their capacity for scheduling.

Mr. MONTGOMERY. We should bring the figures up to date this year for you, Mr. Chairman, because as you know we have been working under some difficulties. High-placed authorities have said that the general populace will not travel to Europe this year. That has had a distinct effect.

Senator MONRONEY. You also run to Latin America.

Mr. MONTGOMERY. Yes.

Senator MONRONEY. They say travel to Latin America.

Mr. MONTGOMERY. If we had hotel rooms, we would be in good shape.

Senator MONRONEY. Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman.

Mr. Montgomery, I want to congratulate you for a fine statement here. I think your company does a tremendous job, and I am inclined to agree with the chairman, however, that in view of the competitive aspects that you pointed out here you actually show that you are out-competing the supplementals.

I don't know why you are so much concerned about this particular situation. I think that we might again be missing the point that I tried to make with Mr. Tipton, when I drew the analogy of the old closed-door restriction, because I think actually what you are seeing here is a condition that is going to promote more business for you and for all the other trunks as well as for the supplementals.

We have a study here that I think is going to be made a part of the record—it was furnished the chairman. This is a survey which was conducted between May 3, 1968, and May 20, 1968, and it showed that—and these were on promoting new travel markets on this all-inclusive-tour situation—20 percent had never flown before; 46 percent said they would not have taken the trip to Hawaii if the low-cost inclusive-tour charter was not available; 60 percent were more than 50 years of age; and 32 percent of the passengers were over 60 years of age.

The inclusive-tour passenger on the average is considerably less a flight passenger than the typical Hawaiian visitor. To me that points up that we are opening up completely new markets here and stimulating people to travel that might have never been stimulated before.

You pointed out in your statement here, "Pan Am currently offers the choice of 443 tours day after day to passengers desiring to visit Hawaii." That's good. You do offer it from certain points, and you have interconnections that permit you to serve other points.

But I am impressed by the statistics that were furnished yesterday from States that have no trunkline connections. For example, and if I may be a little parochial about this, a number of these supplemental tours go through my hometown, Las Vegas, Nev. Unfortunately you don't serve that. I wish you did. We would be glad to have you in. If you want to make an application, I would be glad to put in a word for you.

Many of the States that were the initiating point of the tours for the supplementals were States where we have no good trunkline connec-

tions. If you put all the trunks together, you wouldn't have good trunk-line connections to some of these States, particularly at some of the points of origination.

If you can sell to a market that doesn't have an easy connection, an easy through route, and you can sell to a group of people through your travel agent and say, "Look, here we are going to take a group and we are going to leave from here, which is Podunk, and we are going to go and fly from Las Vegas, Nev., we are going from there and fly to Honolulu, we are going from there back to San Francisco and back to Podunk or whatever connection you want to make," you are going to have quite an inducement, I believe, to some people that might be in this 20-percent category that have never flown before or the 46 percent that said they would never have gone there had they not had this type of thing available.

I think in the long run you are going to find, as I said on the closed-door restriction, that business begets business, and you are going to have a lot more people traveling on your line as a result of these types of promotional activities.

Don't you think there is some validity to that position?

Mr. MONTGOMERY. Senator, I read that survey, too, of course, from the testimony yesterday, and the only thing which truly surprised me about it from my experience is that only 20 percent said they had never flown before.

It is precisely for this kind of development reason that we for all these years have been concentrating on tour sales. To us the tour sale is the new passenger. The new traveler likes to have everything packaged for the first or second time he goes. We find by our surveys that after that he figures he can do it himself and he goes on what we call a FIT basis not on the package basis. (Free Independent Travel—tour arrangements without an escort and not belonging to a group.)

The figures of increase in States like Kentucky are, of course, encouraging and we long to see this same thing. We had a steep increase from Oklahoma last year, with some good reason. But the bases on which these percentages are figured are small.

We have the Hawaii Visitors' Bureau figures, we get them each month, and they do not represent too much in terms of passengers. The characteristics of an area as far as Hawaii has been the west coast primarily and some areas around Chicago and the east coast. We love to see these increases. We are doing this kind of thing ourselves.

We have attached a 707 the other day to go around the Midwest just to publish the availability of international airline service.

You mentioned in the beginning, Senator, why we were concerned. I hope I have developed that we are concerned about this European situation which we have watched for years rather helplessly because we are not involved as much as we like to be in it. We are watching now the Hawaii situation, but perhaps most of all we are watching our declining profits, and we have a real and lively fear that our ability to provide a scheduled pattern which we are presently providing might be curtailed.

Senator CANNON. I think the Board, though, is in a position to keep a close eye on this. In the first place, the inclusive-tour authority is temporary, and the Board could change that if and when they wanted to.

Second, the Board must authorize a tour. This means that if the

Board sees that there is an unfair economic advantage being granted or an unfair economic hardship being imposed on someone else, the Board is in a position to take action on that. I think they have been very responsive in the past. That has been my experience with them.

I wonder—I asked Mr. Tipton this—do you have any statistics that would show the percent of people on inclusive-tour charters on your lines who traveled either individually or as couples as distinguished from the tour groups themselves?

Mr. MONTGOMERY. Senator, we don't operate ourselves inclusive-tour charters. The inclusive tours we have been talking about have been riding on our scheduled services.

It is a little difficult to answer your question because in the process of our development, and in order to make sure that we didn't suffer too much diversion from our normal fares, we have imposed a restriction on most of our inclusive carriers around the world. They are affectionately known as ITC's (Inclusive Tour Charters). Those groups are made up actually of individuals. They do not have any affinity or anything like that.

I can supply—I thought I had them with me, but I don't—the results of the most recent port authority survey of the North Atlantic run, which has not yet been published, showing the numbers of passengers who cross the Atlantic alone, in groups of three, four, five, six, and more.

(The information referred to follows:)

Pan Am surveyed its traffic on the New York to London Trans-Atlantic route for the year 1967 and found that 11.2% of its passengers traveled under group fares.

Senator CANNON. That might be helpful. I am sorry when I used the term "inclusive tour charter" I didn't intend that the charter was operated by you. I meant inclusive tours for people who travel individually as distinguished from groups.

As you state there, you actually discourage the large groups because you are not really in a position to handle them. Isn't that correct?

Mr. MONTGOMERY. No.

Senator CANNON. You said you discouraged them. Why is it you discourage them?

Mr. MONTGOMERY. I haven't made myself clear. We did feel when we took the further big step at the wrong conference of reducing the transatlantic fares, to take one example, we did feel before we put in a fare of \$230 London-New York round trip, we had to protect that fare against undue diversion so that all the businessmen, the others who were going in any case, would not immediately switch to that fare and the airlines would merely suffer the diversion and not enjoy the promotional effect of the fare. That is what I meant. But we are deeply in the charter business ourselves, Senator. We have pulled some of the largest movements around the world by any carrier, between some 5,000 and 6,000 Gibson dealers and distributors to Hong Kong a couple of years ago. We will take the groups whether they be large or small in all aspects of this business.

Senator CANNON. Thank you, Mr. Chairman.

Senator MONRONEY. Thank you, Senator Cannon.

I am glad to know about Oklahoma coming forward in travel. I might suggest, however, that sometimes competition makes more business for everyone because TWA very graciously has a departure for

Rome from Will Rogers International, and they have had that for several years, and it goes to show if you have one line doing well, then the people think more of travel, and so we are now able to supply you with more passengers. I think this is the same thing except you happen to be scheduled airlines.

I have no further questions. We thank you for your patience and for the clarity of your testimony, sir.

Mr. TIPTON. Mr. Chairman, I have used up a lot of the committee's time, but may I have one second because I left the impression with you when I testified that in discussing the statements on the floor of the Senate with respect to inclusive tours that I rather picked and chose the ones. I do want to correct that impression. In quoting those gentlemen, we, of course, examined the statements that you had made and we found no statement by you on the floor of the Senate on that occasion dealing with inclusive tours. However, your statement dealt with split charters. Consequently, since that is not relevant to this discussion, we did not quote you.

Senator MONRONEY. This was the big issue before us at that time and we felt as we left the conference that by leaving out all language regarding all-inclusive tours we were leaving it up to the Civil Aeronautics Board, and the courts have found both ways, so it comes to the committee again for resolution of what we did mean.

Mr. TIPTON. You have put your statement in the record at this hearing, so that solves that problem. I just want to make it awfully clear that I wasn't guilty of picking and choosing.

Senator MONRONEY. There wasn't anything in your statement that was adverse to your position; true?

Mr. TIPTON. There wasn't anything in the Senate record that was adverse to my position.

Senator MONRONEY. You are too good a lawyer.

Senator CANNON. May I ask Mr. Tipton another question?

I already asked you if you supported the legislation if we made the corrections that you referred to on page 3, and you said no, but let me ask you this: If we report out legislation along this line, I presume you would prefer to have those points corrected that you have made on page 3; is that right?

Mr. TIPTON. You are quite right.

Senator MONRONEY. Thank you very much.

Our next witness is Mr. John Barch, vice president of industry association affairs for Trans World Airlines.

STATEMENT OF JOHN R. BARCH, VICE PRESIDENT, INDUSTRY ASSOCIATION AFFAIRS, TRANS WORLD AIRLINES, INC.

Mr. BARCH. Mr. Chairman, before proceeding with my statement, I would like to express the fact that Mr. Tillinghast has requested me to pass to you and the members of the subcommittee his regrets for not finding it possible to be present here today. He is engaged right now in attending a meeting of the Advisory Committee on Industrial Business Problems, which is under the aegis of the State Department. I wish to pass along his regrets for that particular reason.

I would like to thank you, Mr. Chairman, and the members of the subcommittee for this opportunity.

In June 1962, the Congress passed Public Law 87-528 after an extensive investigation into the proper role and need for supplemental air transportation. As a result of that study the Congress concluded that the proper role of supplemental air carriers was to perform air transportation solely on a charter basis and supplementing the services of the regularly scheduled trunk and local service carriers.

That purpose was carried out in the conference bill which became Public Law 87-528. The bill made clear that supplemental air transportation was not to include individually ticketed services by supplemental air carriers as a means of performing the charter services to which they were to be confined.

As the conference committee report pointed out :

The substitute agreed to in conference adopts the provisions of the House amendment with respect to the prohibition of individually ticketed and waybilled services on a permanent basis . . . supplemental air transportation would be limited to all-charter operations, except for limited individually ticketed service which may be authorized by the Board on a temporary basis.

At the hearings which led to Public Law 87-528 the certificated air carriers supported the establishment of the separate class of "supplemental air carriers" limited to the all-charter operations provided for in that legislation.

Unquestionably charter transportation fills a definite need. Pre-existing groups should be able to travel together and to charter an aircraft for that purpose. We have not opposed, and do not now oppose, the charter operations of the supplemental air carriers which supplement the transportation services performed by the scheduled carriers.

We do oppose, however, any attempt to destroy the distinction so clearly marked out in Public Law 87-528 between charter transportation on the one hand and the individually ticketed services performed by the certificated carriers on the other. We believe that S. 3566, in seeking to amend Public Law 87-528, would undermine the very purpose the Congress had in mind in adopting Public Law 87-528, which was intended to prohibit supplemental air carriers from engaging in individually ticketed services.

In enacting Public Law 87-528, the Congress was well aware of the established distinction between charter services and individually ticketed services. As was then pointed out by the chairman of the House Committee on Interstate and Foreign Commerce, former Representative and now Federal Judge Oren Harris :

The law is well established that, in air transportation, charter means essentially the lease of the entire capacity of an aircraft for a period of time or a particular trip, for the transportation of cargo or persons and baggage, on a basis which does not include solicitation of the general public, or any device where individually ticketed services would be offered or performed under guise of charter. The basic concept being thus clear, it is important that the Civil Aeronautics Board, by regulation and other appropriate measures, make sure that charter serves its planeload service concept and is not employed as a subterfuge to perform individually ticketed services. Manifestly, the nature of such subterfuge may change from time to time, and the regulatory agency needs some flexibility to modify its regulations to guard against any new subterfuges that may emerge. For this reason, the House committee objected to any attempt to freeze into the act a definition of charter service which would prevent the Board from dealing effectively with abuses. Thus the bill, as passed by the House, contained no definition of charter.

Individual ticketing, as the Congress recognized, is the sphere of the trunk and local service carriers. The bill would permit the supplemental carriers and travel agents—tour operators—to solicit individual members of the public—which is individual ticketing. That they have in fact done so is clear from their advertising, samples of which are attached. And these, in fact, were reproduced in the brief for the respondents submitted to the Supreme Court. Any supplemental carrier who wants to individually ticket passengers may seek a certificate authorizing this in appropriate proceedings. If it obtains certification, it undertakes certain obligations—primarily the obligation to adequately serve communities—which the supplementals do not have.

A carrier who does not undertake such obligations should not be permitted to individually ticket passengers. Supplemental carriers operating inclusive tours can choose the day and hour they fly so as to take advantage of heavy weekend traffic and fly full plane loads, without any obligation to serve communities regularly.

It is abundantly clear that what the supplemental carriers want is individually ticketed authority under the guise of "inclusive tour charters." This was true, as the Court of Appeals for the Second Circuit found, under the Board's regulations that have now been invalidated. It is even clearer under the specific language of the proposed bill.

S. 3566 provides simply that an individual may purchase round-trip transportation on a supplemental carrier if his trip includes some land services. As a practical matter, this means the traveler may purchase surface transportation to or from the airport and thereby qualify to use a supplemental carrier even if he goes only to one place and travels alone. This would include just about every traveler. For instance, a businessman planning a 1-day trip from here to Chicago could avail himself of this "inclusive tour." He would simply buy a round-trip ticket together with transportation to and from "The Loop" or from the District to National Airport.

That the inclusive tours authorized by this bill would duplicate the transportation offered by the regularly scheduled carriers, and that they do permit individual ticketing, would all appear irrelevant to the supporters of the bill.

And even inclusive-tour authority containing stricter limitations than in current CAB regulations is still individual ticketing. A provision requiring some substantial land arrangements would be no deterrent to most travelers. For instance, a requirement, such as that in the CAB regulations, that a hotel room be included in the tour, simply fills the need of anyone who is going away overnight. A provision requiring a number of stops may prevent a businessman from traveling on a supplemental carrier, but it would not affect a vacationing traveler. A requirement as to the minimum number of days a traveler must be away would not deter numerous individuals from using such tours to obtain low-cost transportation.

These so-called limitations on inclusive tours have not prevented the supplemental carriers from making substantial inroads into the individual passenger traffic upon which the certificated carriers depend. For instance, in 1967 they reportedly carried 51,500 passengers between the mainland and Hawaii.

I should point out that many passengers individually ticketed by the regularly scheduled carriers are all-expense-tour passengers; that is, passengers who book substantially more than their transportation from the regularly scheduled carriers; for instance, at the time they book their transportation they also book hotels, meals, sightseeing arrangements, and special events.

It should also be made clear that the so-called tours presently being offered by the supplemental carriers are not cheap. They often cost well over \$1,000. This is not going to enable the 50 to 60 percent of our American citizens who have never taken an airplane trip to partake of this mode of travel.

To permit the supplemental carriers to sell individually ticketed travel can only destroy the regulatory scheme established by Congress in the Federal Aviation Act. That scheme was to permit individual solicitation of members of the general public by a carrier only when it had been established that the public interest required such transportation and after a certificate of public convenience and necessity had been issued to the carrier. The scheme of the act was regulated competition. Competitive service was to be authorized when the need for it had been established but not until this had been done. The amendment to the Federal Aviation Act adopted in 1962 as Public Law 87-528 modified this only to permit charter transportation by supplemental carriers to supplement the transportation provided by scheduled carriers, not to permit individual ticketing. It did not destroy the basic regulatory scheme that had previously been adopted. The proposed bill would do this.

When the bill which became Public Law 87-528 was being considered by the Senate, Senator Scott, one of the managers who agreed to the conference bill, emphasized the importance of maintaining the established concept of charter in air transportation and not changing it to permit supplemental carriers to operate individually sold all-expense tours as charters. As he said:

The Senate bill proposed to modify the established concept of charter by permitting charters to "a group on an all-expense-paid tour." . . .

The committee of conference wisely eliminated the Senate provision. The bill thus, in effect, confirms the established law as to a charter in air transportation. There should be no question about that. The Congress has considered, and has rejected, a proposal to change the established meaning of charter so as to have permitted travel agent charters for all-expense tours. Such charters have no place in air transportation . . .

This was underscored by Senator Thurmond, who said:

Therefore, I want to emphasize that the CAB must continue its historic charter definition. Any erosion of this concept would defeat the purpose of this supplemental legislation, and would undermine the congressional intent that the supplementals, after the 2-year phasing out period, shall not conduct any individually ticketed business, but, rather, shall concentrate exclusively on full planeload charters.

Air transportation has suffered from the abuses of individually ticketed operations. The law violations in this area have all too frequently extended to infractions of safety provisions as well. It is for this reason that I want to emphasize the insistence of Congress that supplemental operations shall be confined to full planeload charter operations exclusively.

The supplemental carriers do not need individual ticketing in order to operate profitably. Their operations in recent years have been highly successful and they are doing well today. For instance, in the 12

months ending June 30, 1967, World Airways, Inc. had total operating revenues of \$57 million, up \$19 million from the previous year. Capitol International Airways, Inc. had operating revenues of \$33 million. Trans International Airlines, Inc. had operating revenues of \$29 million. Saturn Airways, Inc. had operating revenues of \$26 million. The operating profit margin of the supplementals for this period was 15.7 percent. The operating profit margin of the certificated route air carriers was 11.8 percent (CAB Air Carrier Financial Statistics, June 1967; CAB Air Carrier Analytical Charts and Supplemental Carrier Statistics, June 1967).

Both World Airways, Inc., largest of the supplementals, and Trans International Airlines, Inc., a subsidiary of Transamerica Corp., were reported in the press as stating that the Supreme Court decision, at which S. 3566 is aimed, would have little effect on their business (the Wall Street Journal, May 28, 1968, p. 5).

We therefore urge you to refuse to make this momentous change in the established regulatory pattern in air transportation by enlarging the scope of the supplemental carriers' activities to include individually ticketed service to the general public.

Senator MONRONEY. Thank you very much, Mr. Barch. I still can't see from the bill—and we have gone over it repeatedly—where this expands any portion of the act as it exists except inclusive tours which has nothing to do, as I see it, with the present method of ticketing which is travel agents with charter capability.

This has been going on and is not a striking down of anything. The courts are divided completely, both the lower courts and the higher court. A 4-to-4 decision to me is not a major victory. We call it a tie in football. We would probably try to run it across to get the extra point and make it 5 to 4. It is a thing we will give careful attention to.

If it is, as has been repeatedly stated by the ATA members, that there is a fault in the language, we would like to have you get together and provide the language that makes sure that it is not individual ticketing. We can't go into fiction writing on the fear that a trip to the airport in a bus would qualify them for unlimited sales at cut rates of charter business.

All of these conditions that you mention do not have to be fulfilled by one point but all points, and no one is better able, because they are charged with the regulation of all of your fares, than the CAB. Certainly they can be trusted to take care of the infinitesimal load problem of the supplementals, and having jurisdiction of both, I would trust them to write whatever regulations are necessary.

I would be happy to use such language as would make sure we're not talking about individual ticketing in this case.

Mr. BARCH. May I react to your observation, sir?

Senator MONRONEY. Yes.

Mr. BARCH. Apparently the initial difficulty and disagreement results from the manner in which the Civil Aeronautics Board had implemented this inclusive-tour charter authority. That in itself, of course, leads to the individual ticketing, or shall I say, solicitation of the general public as a whole—individual members.

The amendments which are contained in the bill, of course, would have in some cases knocked down one or more of the restrictions that are currently in the CAB regulations or let me say liberalized them in

the incident, for example, of a single-point destination or without any control on the minimum tour price which in fact could then avoid the limitation of a trip to and from the airport plus air transportation.

But, in substance, our position and statement was an effort to bring forward the fact whether it was a 7-to-7 tie or whether it was one ball game as opposed to another ball game on a different court, we obviously disagree with the conclusions that have been reached and implemented in this regard. I would like to go on to say, Mr. Chairman, that when we are talking about selling tours to the public I would like to illustrate the practical position as clearly as I can.

If you have a travel agent that fits in a particular city and is a reasonably active agent and he is presented with a package of a scheduled carrier's inclusive tours, a group brochure, and also one of the supplemental carrier's through a tour operator, it is a matter of price as to which he will go out and pursue.

Senator MONRONEY. And service?

Mr. BARCH. And service, but to the extent that the equipment advantages are not that much in effect under the present circumstances and the supplemental does have the freedom of action to provide that service on a peak day or a time which is appealing to most travelers, I don't really see much difference there.

But to go on with this thing, he is, therefore, going to try and appeal to as many people or as many members of the public at large as he can, through his various packages, and the one that represents the lower fare is obviously the one that is going to draw business.

Now, that business is not going to be drawn from a group of people who are not otherwise attracted to the scheduled carriers. It is really the public at large. In fact, I could cite one or more cases of neighbors and friends of mine who have been frequent riders of TWA but who are now becoming interested in this type of transportation.

Senator MONRONEY. As I recall the very fine testimony of Mr. Montgomery, you can undersell on your inclusive tours the quoted rates of these people. So obviously, if great Pan American with its expansive operations around the world can quote lower rates, they are not at a competitive advantage as you would indicate, and the same big tour operator, as you say, is selling your all-inclusive tour and selling the all-inclusive tour of a supplemental.

It's like Macy's; they won't try to sell you Arrow shirts mainly. They will have Arrow, Manhattan, and two or three others. The buyer has a choice. That's what American competition is about.

You finally get down to it. You say yourself, the difference is in the extra parts of the package and the price, that the equipment situation has been improved. It has been improved because this committee had the good judgment to certificate, provide inspection, to turn over the administrative parts to prevent gypping and failure to maintain contracts and things of that kind. We have safe airlines now in the supplementals instead of the ones that were using beaten up, obsolete equipment, hand-me-downs from the trunks.

So, I think we have a little baby brother, but he's getting a little bit of muscle on him, and he's not going to be big enough to whip the big boys yet.

Mr. BARCH. Perhaps I didn't make my point clear. What I was trying to say is that the agent as such who is doing this selling will ob-

viously be selling from a series of packages. He may find price distinctions between scheduled carriers to the same point.

With respect to Pan American's comments, I'm aware of the fact that in some cases the tours on the supplementals may be a bit higher than they are on the scheduled carriers, and the reverse may also take place, they may be lower than they are on the scheduled carriers.

But the whole purpose here was to identify that the source of business that we are talking about is the public at large, and the individual members of the public, and the reference to individually ticketed services was to relate that to the real point at hand, and the source of that problem or let me say the source of the business at which we would all be going, and that would be the general public.

Senator MONRONEY. I don't know why you seem to feel you are entitled to ticketing by travel agents and not the others. If I buy a ticket from TWA, as I usually do, or American, going any place, I usually get it from the TWA desk, if I can; if I'm in a hurry, I might get it from another agency over here. I would pay the same if I'm buying it from you, which results in 10-percent added profit to your line. I don't get that back, although if I buy it from a travel agent, the travel agent keeps it. This is part of the system, and I don't think you can have your cake and eat it too. If they are useful and inexpensible in a competitive world to you on selling your tickets, I don't see what's wrong with the travel agent originating a charter and then selling the tickets for that charter.

I'm surprised we don't have a lot of travel agents here, we had some give testimony of their position yesterday. They are concerned with this. They are the guys who merchandise both brands.

Mr. BARCH. To clarify that point, we do not object to the fact that travel agents do in fact sell a ticket. We are very happy about it, and obviously their share in the market in terms of sales is increasing each year. But I think the point there was in the cases of the scheduled carriers. They have the right to sell individual tickets against the scheduled carriers' flights, and in this case it is allowing the supplemental carrier to operate through a tour operator and his retail agents, or himself, in order to do the same thing on behalf of the supplemental carriers.

Senator MONRONEY. You've got two different markets, you've got two different types of people. I don't think I could bear traveling with 50 persons or they could bear traveling with me for 2 or 3 weeks abroad, because there is always a lot of gripe about this thing or that thing. We found it even on congressional tours. I like to pay a little extra to travel when I want to travel and come home when I want to.

So, I just can't see that you have a thing to worry about. I appreciate your position. All I'm trying to say is the real matter is the all-inclusive tour.

Hasn't TWA bought a lot of hotels now?

Mr. BARCH. We own the Hilton international chain, but those hotel rooms are open to the public at large.

Senator MONRONEY. I know, but this is the point. In a crowded period when you land a hundred non-all-inclusive people on a charter flight at any of these Hilton internationals—how many do you have?

Mr. BARCH. I can't give you the last count, because one or two have just been completed. One was opened recently. Certainly it is in the neighborhood of 30-some-odd, or more.

Senator MONRONEY. You recognize that lodging is to keep them dry and warm and rested and it is an important part of your international operations, that the local hotels are incapable of taking the present-day planeloads. You're talking in terms of modern day where all-inclusive tours of the charters are important to travelers as well.

I'm sure you will take a charter flight if you've got the empty room, but the reason you had to go into them was there weren't empty rooms. You have to look far ahead, you had to make it as a part of your service, and as a part of the service of the travel agents in this all-inclusive tour I think it is just as essential because they have to book a long way ahead and I imagine pay for the short fall, if there is a short fall, on arrival, if they don't make the plane.

Mr. BARCH. We, too, are interested in charters.

Senator MONRONEY. I have had to go through Woodrow "Woodie" Thomas to get the football crowd to move once in a while. This last year you were too crowded and I recognized that, and we luckily got a local service line to help out. I begged all of them. They were flying the Oklahoma State University team on DC-3's that couldn't pass Federal inspection because there were no charters available to take the team to football games for the Big Eight events.

This charter-available thing is not as easy, because I have had to buck it for a long time, to use all the persuasion I have to pay the regular going rate for charters for such movement of men and people that are necessary.

Mr. BARCH. I would like to make a distinction in this part of our discussion to this extent. Obviously, regardless of who is setting up the tour, these accommodations are set up in advance. The space for the hotel and the like if that is involved are also done in advance. This would equally be true with respect to charters that are not composed of individual members of the public through the inclusive-tour approach. Those, too, would be set up and arranged for in advance as far as hotel accommodations are concerned. We, as a scheduled carrier, hold out that facility in both cases.

In some of our scheduled group travel, sizes are reasonably substantial. They will vary, and it will all depend on the level of fare that is used to put together the tour. But that size varies, and those same requirements on space and the like are really there.

Senator MONRONEY. Is your peak about the same as Pan American on the North Atlantic?

Mr. BARCH. Generally they are the same. It has been varying lately, and it has been narrowing down to some degree. As I recall it, I would say that the peak of the peak is roughly through mid-June and mid-July eastbound, and westbound it is probably towards the end of August up to the middle of September.

Senator MONRONEY. This is where it is customary for Americans to find their vacation period, is it not? It is varying now during winter as well as summer. But generally speaking, you could say this is the general time that Americans are likely to take their vacations, when school is out, student travel and various things of that kind, isn't that correct?

Mr. BARCH. I would think, historically speaking, way back through steamship days and the like that the popular vacation period, if chosen by all concerned, would obviously peak everything into 1 month, more or less.

We, the scheduled carriers, have been through various fare inducements and the like gradually having the travel move at various other periods of the year, which is important to us in order to establish a viable economic position, and, to the degree that we have been successful, I think it fully reflects the ability of the passenger to maneuver some of his times and requirements.

We also know that winter vacations are now becoming more popular than they have been in the past.

One other thing. I noted from the statistics that were quoted that a certain number of the people that were sampled were within a certain age bracket, and I think that is indicative of the time the sample was taken, because it happened to be in the first quarter, or whenever it was.

Senator MONRONEY. Will you put in the record the load factors during these peak months that you mentioned? If you will send those to us for the record.

Mr. BARCH. Yes.

(The information requested follows:)

TWA TRANSATLANTIC PEAK SEASON LOAD FACTOR

[In percent]			
Month	Average passenger load factor		
	1965	1966	1967
May.....	62.2	63.0	57.9
June.....	65.2	65.1	62.3
July.....	61.1	155.2	58.7
August.....	72.1	151.2	65.6
September.....	64.6	54.3	60.6

¹ No operations July 8, 1966, through Aug. 19, 1966 due to strike.

Source: TWA records.

Senator MONRONEY. You have been very helpful to the committee. We do appreciate your kindness in appearing before us.

We are honored to have Mr. Lucian Hunt, president of American Flyers Airline Corp., Ardmore, Okla.

Mr. Hunt comes to us with vast experience in the airline industry. He established the great safety record as the chief of maintenance of all of the vast American fleet from the DC-4 days, I guess, to the 707's and the 727's and the BAC-111's.

We are happy to hear your testimony. We regret we have run so long, but we are trying to get all around this subject and be sure that all sides have ample opportunity to express themselves.

STATEMENT OF LUCIAN HUNT, PRESIDENT, AMERICAN FLYERS AIRLINE CORP., ARDMORE, OKLA.

Mr. HUNT. Thank you, Mr. Chairman.

My name is Lucian Hunt. I am the president of American Flyers Airline Corp., and I am representing the airline today. We are a U.S. certificated supplemental air carrier.

Mr. Chairman, because of the uncertainty of my appearance here and my inability to be here yesterday, I have no prepared statement; so, I will make extemporaneous remarks for the record.

I have had an opportunity to review the testimony before the committee yesterday, and I was encouraged to see the favorable response from the Government agencies, specifically Chairman Crooker of the CAB, and from Secretary Agger, the Department of Transportation, and also from Glenn Cramer, president of the National Air Carrier Association.

American Flyers is not a member of the National Air Carrier Association, and I want for the record today to strongly endorse the proposed Senate bill, S. 3566, and the position that has been expressed by Chairman Crooker of the CAB.

I am advised this morning that the National Association of Air Carriers has formally endorsed the CAB position on this bill. Our airline takes the position of equally strong support of the CAB position.

American Flyers Airline is a small supplemental carrier. We are small in the sense of comparison with World and TIA. Last year we did about \$10 million in revenue and this year we will do approximately \$15 million. We find ourselves at this stage in our growth, although we have existed as a carrier for more than 26 years as a charter specialist, in a very critical period in assimilating growth in the transition from pistons to turboprops and to jets.

We have retired all of our piston equipment and we now are incurring the development and transition problems and the expense of such transition into the more modern equipment. We are operating five Electras and two 707 convertible jets.

We see, from review of the testimony this morning that was heard, numerous paradoxes in the positions that are taken by the large trunks, scheduled carriers. I would like to point out some of these that appear to me to be a paradox.

I have heard that there is much argument relative to inclusive tour authority being tantamount to ticketed services, individually ticketed services. I cannot understand this contention. In my lay knowledge of what is individually ticketed service, I understand that it is purely transportation from point to point sold to an individual. I cannot understand why inclusive tours which can only be sold as packages which include much more than the transportation and which is more than from point to point, I cannot see the classification of the subject that is being argued before your committee, and I feel it is irrelevant to the discussion.

There are other paradoxes which come to my mind, and one is that there is a contention of a serious competitive thrust from supplementals relative to diversion of business from scheduled carriers. I would like to point out, and these are statistics that are well documented, in 1966 the supplementals carried only 3.6 percent in terms of revenues of all transportation sold by all U.S. carriers, both domestic and international and local service carriers. That increased one-tenth of a percent in 1967 to 3.7 percent.

It is difficult to then see and understand the contention that we are a serious competitive threat to these larger, successful carriers.

Another paradox is the fact that being on the other side of the fence today from where I was 2 years ago, with a large trunk, nearly 10 years ago we began our transition from pistons to jets, and now the successful scheduled trunks who are opposing this legislation are be-

ginning their transition to the second and even the third generation of jets, after having reaped the economic benefits of efficiency and productivity and profits from the first generation, and the stretch versions of the first generation of jets. Now they are looking to the third generation of jets.

I might point out that the supplementals are late transitioning to jets, but many of our associates in the supplemental industry are operating jets for a period of a year, 2 or 3 years. Some have operated them for four or five.

Senator MONRONEY. Let me interrupt you there, too.

All of this progress that has been made by the supplementals, including your own company, has been made on a completely unsubsidized basis. There has not been one nickel's worth of Government subsidy that went into the establishment of your lines or to further you through the primary stages, even, to any large degree. You have had to exist largely on the traffic you have been able to generate or the supplying of the needs of the military when they went beyond their own ability as to transportation; is that correct?

Mr. HUNT. Senator, that is correct. I might go one point further. You really preempted my next point.

Senator MONRONEY. I beg your pardon.

Mr. HUNT. But you stated it capably.

If you take a look at the total charter revenues and the carriers providing this capacity to the public, the scheduled carriers are dominant in the charter market in this country. The statistics are available to all.

In 1966 the supplementals carried only 34 percent of all the military contract lift awarded by MAC. They carried 25 percent in 1967. They carried 23 percent in 1968.

I think you can take a look at revenues from both civilian charters as well as military charter sources and see that the scheduled industry is the dominant charter source transportation in this country.

Earlier testimony by Mr. Tipton stated that the supplementals were trying to enjoy the best of two worlds. It would appear to me that the scheduled carriers are enjoying the best of two worlds. They are dominant in selling individually ticketed services over scheduled routes and they are dominant in the charter field.

Supplementals are attempting to make a living in conformance with our certificates as charter specialists and attempting to increase our share of the total charter market.

I recall that the increased growth of the transatlantic charter business has not come as diversionary from U.S.-flag carriers but from foreign carriers.

We feel that there is an emergency need for this legislation that is proposed. Military business volume is unpredictable. Our portion of total revenues represented by military contracts and charters is approximately 50 percent. We had hoped and expected, although the uncertainties of inclusive-tour authority now gives us pause for concern, by yearend, calendar year 1968, that we would be relying only upon about 30 to 35 percent of revenues from military sources.

There is another point that is most relevant insofar as fostering efficient transportation to meet a public need, and that is the fact that many of the supplemental flights—not only our carrier but other supplemental carriers—are from what we term hinterland cities.

Senator Cannon this morning mentioned his hometown, Las Vegas. There is hardly a day that we do not have one or two aircraft in Las Vegas, some days more or less.

These aircraft operate from cities like Little Rock, Wichita, Kans., Topeka, Des Moines, cities that may have a population of 50,000 to 100,000, more or less. These cities are not gateway cities to the Caribbean, they are not cities where you can get direct plane service to Las Vegas nor transatlantic to Europe or other international points.

There is a serious public need for this kind of transportation, and it is fairly obvious if you are in the marketing and sales end of the airline business that many smaller cities cannot launch sufficient size affinity organizations or charter-worthy organizations without inclusive authority and we are denying these people efficient transportation.

Senator MONRONEY. For example, I believe you furnished some of the transportation to the Orange Bowl game at Miami Beach, one or two charters I believe by your company.

Mr. HUNT. Traditionally, each year; yes, sir.

Senator MONRONEY. And without that you just can't get from Oklahoma City to Miami; I mean you have to go through the Dallas gateway and more likely through Atlanta and New Orleans, and at the peak of the season it would be impossible to get transportation for the big event in Oklahoma that occurs almost every year when we hope to have this movement, a very important matter to an entire State.

Mr. HUNT. There are many, many cities that either because of conflict of peak travel periods by scheduled air or because of the added cost of going from a place like Wichita, Kans., to Chicago to get to New York or to some other gateway to go to the Caribbean or wherever you want to go, you have to actually dogleg it and go substantial distances at increased cost if you rely solely on scheduled air.

We have a number of ITC programs which have been organized and planned. One particular one that has been approved is to the Caribbean, and this program is wiped out at the present time. Substantial expense has been incurred by the tour operator. We have booked space which now will be unsold capacity because it is too late in the day to find charter-worthy organizations to fill up this kind of capacity.

The same thing has happened to other supplementals with reference to transatlantic business this summer. The question of the ITC's programs to Hawaii, to visit various islands in Hawaii or between the mainland and Hawaii, are all in limbo.

Serious financial distress can occur both to the travel industry, the travel agents, tour operators and those carriers who have blocked this space, and at this late date will find it practically impossible to utilize.

Certain statements made this morning, Mr. Chairman, by representatives heard, justify reply in my thinking. Pan American says it offers comparable or lower rates, but I suggest that the great growth of the ITC's which use relatively unadvertised and lesser-known carriers would not have occurred if that were the case.

I think further that to evaluate the comparable costs between group-inclusive tour or an ITC or any exclusive plan that a scheduled carrier might produce, you must look at all of the ground handling costs, including the mode of surface transportation as opposed

to point-to-point transportation perhaps in Europe if that is where the tour proceeds to.

We feel that most of the evidence—in fact we feel that all of the evidence shows that a new market of low income, first-time travelers is being reached. We have a policy in our airline of sampling these kinds of things for our market planning and for our curiosity. We find that because we are fundamentally a hinterland carrier, both transatlantic and to the Caribbean and domestically, even a larger percentage than industrywide of our passengers are first-time travelers. Quite often on these trips, which I have the privilege to take time off and ride, I hear statements from people who have not had the courage before to fly individually. They go into the group and they develop the courage and the next time mama and papa buy their tickets on scheduled air.

We feel we are reaching a new market rather than diverting people from scheduled air.

We feel one other statement may be misconstrued and perhaps misleading that ITA has made. The reason why ITC's originating in foreign countries have not performed thus far is that until about 2 months ago supplemental carriers were forbidden to charter to foreign tour operators, and only over the opposition of the scheduled carriers and after a lawsuit did the Board alter its rules and authorize ITC's chartered by foreign tour operators.

We on another point may argue that ITC revenues are a very small part of the supplementals' total. I think that is an argument that was raised today. That was so in 1967 when ITC's were first getting started. It is far less true in 1968. Tremendous growth has occurred, notwithstanding the fact that this growth has occurred in the face of uncertainty caused by litigation.

In conclusion, there should be no doubt as to the supplemental carriers' need for ITC's at a time when military revenues are declining and great increases in jet capacity are occurring. But even more important, we feel that this committee's proposed legislation, S. 3566, would protect the public's interest in low-cost air transportation for inclusive tours.

ITC authority of supplemental carriers provides a competitive spur to scheduled carriers to keep their rates within reason, and the ultimate beneficiary is the traveling public.

Mr. Chairman, I realize it is a late hour and we have moved from morning to afternoon. I appreciate the privilege to appear here, and as representative of American Flyers Airline, we would like to strongly support the position that Chairman Crooker has taken and which has been supported by the National Air Carrier Association.

Senator MONRONEY. Thank you very much, Mr. Hunt, for your very helpful testimony. I would like to ask you one question. With all of the many, many years that you spent as head of the maintenance department for one of our truly great worldwide airlines, American Airlines, did you not feel that the degree of maintenance, the perfection or excellence of maintenance, was directly related to the economic well-being of that particular company? You had the equipment, you had the test devices, you used far-reaching things to determine the service needs of the aircraft when it was on the ground undergoing both the regular maintenance and the overhaul. Is it not a fact that

any weakening today of the economic fabric of the supplementals by ill-advised legislation or the results of divided court opinions that would weaken this economic factor would be felt adversely in these supplemental carriers' excellent maintenance that they have thus far obtained?

Mr. HUNT. I understand your premise, Mr. Chairman, and I would like to answer it this way and perhaps extend the thought one point further. We are very closely regulated, the supplementals carriers, insofar as how we fly and maintain our equipment. We are regulated equally as stringently as any scheduled operator in the United States. The FAA performs this task of surveillance. I don't feel that there is any margin to give when it comes to quality of maintenance and safety of aircraft. There is no such thing as an unsafe airplane if you are going to stay in the airline business. There is no degree involved. You must meet the highest standards, and the FAA surveillance insures us of this. In any impairment of service that might occur in the event of economic distress of any carrier, scheduled or supplemental, it would more readily be seen in the area of probably less dependability, late departures, and late arrivals, and in the inability to buy a provision of spare parts of sufficient quantity to fix airplanes at five or six places as opposed to one place. I don't feel there is any margin to give and say we can't afford less than the best maintenance. But there is a factor of economic survival, and this gets into the area of profits or losses and earnings which you can plow back into the business to re-equip the airline and maintain its modernity and level of services to the public.

I think this is the thing that would suffer if supplementals are denied inclusive tour authority. I think our service will deteriorate insofar as on time dependability and earnings to plow back into the business to maintain our modernity.

Senator MONRONEY. Another point in this same direction, the ability to purchase new and more modern equipment would certainly be retarded, which would reflect back on the airframe and engine manufacturers and associated industries.

Mr. HUNT. Banking institutions look very carefully at your balance sheet and your earnings record before they finance new equipment. The covenants of loan agreements and purchase commitments are such that you either have the wherewithal to buy and maintain this equipment or you don't. I think you have got to have access to markets and you have got to fill these seats from a carrier point of view, and the level of service that you are going to offer to the public in meeting the public need will stand on the results.

Senator MONRONEY. How many families in Ardmore, your headquarters, do you employ?

Mr. HUNT. We have 355 employees. It is a small city of approximately 25,000 to 28,000, in that neighborhood. We have the largest payroll there, about \$3 million.

Senator MONRONEY. I am using this as an example of the vast aviation industry which we sometimes think is centered in Los Angeles or in New York or elsewhere. But it is this kind of operation that helps to bring modern day industrial methods, skills, and technology to the communities throughout the country. This is small busi-

ness compared with the trunklines, but it is a good business, and 350 families is a pretty good number to employ. I believe you were the first and the oldest on the old Gene Autry place when it was finally turned over to the city of Ardmore as surplus.

Thank you very much for your helpful testimony. We appreciate your coming up.

I would like to put in the record a statement by Berry World Travel, Inc., and one by National Air Carrier Association here.

(The documents referred to follow:)

BERRY WORLD TRAVEL, INC.,
June 10, 1968.

Re S. 3566.

Senator A. S. MONRONEY,
Chairman, Aviation Committee,
Senate Commerce Committee,
Washington, D.C.

DEAR SENATOR MONRONEY: We are writing you to express our interest in and support of S. 3566 and we request that this letter be made a part of any hearings which are published in connection with your investigation of this matter.

Berry World Travel, Inc. is one of the two largest tour operators and, therefore, has an important interest in the proposed legislation.

Our company was organized in 1933 and today maintains offices in New York, Chicago, Kansas City, Los Angeles, San Francisco and Honolulu . . . and also has a financial interest in a Latin American travel organization that headquarters in Mexico City. Our revenue in 1967 was approximately \$10 million, most of which was generated in our capacity as a wholesaler in dealing with more than 4,500 independent travel agencies. The remaining 5% of our business is retail.

We became involved with the inclusive tour charter program early in 1967 following approval by the Board to operate, along with World Airways, Inc., 49 inclusive tours between California and Hawaii. The air transportation to Hawaii was furnished by World Airways and the service within Hawaii was furnished by a scheduled local carrier. We believe we are correct in saying that this program was one of the earliest approved by the Board and, in many respects, set the pattern that was followed by other operators. Later we received authorization to operate an additional 199 inclusive tours—149 to Hawaii, 29 to the West Coast and Honolulu, 20 to the West Coast and 10 to the Far East.

In the process of this experience we have reached several conclusions which may be of importance in considering this legislative proposal:

First.—This is an experimental program in which the Civil Aeronautics Board needs maximum flexibility in order that this new type of service may be properly developed and the interest of the scheduled carriers properly protected. We would favor, therefore, an amendment to the proposed bill that would simply leave the definition of "inclusive tour trips" to the Board, rather than attempting to incorporate definitions or restrictions into the statute. It has already been our experience that these regulations in Part 378 have been amended in several respects and the power to do this in every respect we regard as essential;

Second.—It is our opinion that these trips have been successful in promoting a new travel market. We base this conclusion on a survey which was conducted recently between March 3, 1968, and May 20, 1968. We think it is particularly important that of the persons surveyed:

- (a) 20% had never flown before;
- (b) 46% said they would not have taken a trip to Hawaii if the low cost inclusive tour charter had not been available;
- (c) 60% were more than 50 years of age;
- (d) 32% of the passengers were over 60 years of age;
- (e) the inclusive tour passenger, on the average, is considerably less affluent than the typical Hawaiian visitor.

The details of this survey are set forth in an attachment to this letter. The impact of the survey was to verify the conclusion previously reached by the Civil Aeronautics Board that these tours are *not* diverting traffic from the tours operated by the scheduled airlines. Indeed, it is true that our own sales of tours with the scheduled airlines have increased despite the fact that we have actively promoted inclusive tours with supplementals.

It is for all of the foregoing reasons that we strongly support S. 3566 with an amendment which would delete the statutory definition of inclusive tour charter trips.

Cordially,

CHRIS STRITZINGER,
Executive Vice President.

SUMMARY OF 29 IN-FLIGHT SURVEYS OF OVER 400 PASSENGERS RETURNING FROM WORLD-BERRY HAWAIIAN INCLUSIVE TOUR CHARTERS, MARCH 3, 1968, THROUGH MAY 20, 1968

(Prepared by Lennen & Newell, Inc., for World Airways, Inc., May 29, 1968)

HIGHLIGHTS

Passengers are well-satisfied with their World-Berry Hawaiian tours. Over 9 out of 10 indicated the trip lived up to or exceeded their expectations. This is a small but significant improvement over last year's well-liked tours, where a little over 8 out of 10 indicated a similar level of satisfaction.

A large majority (85%) said they enjoyed the convenience of group travel. 46% said they would not have taken a trip to Hawaii if a low cost inclusive tour charter had not been available. 22% of the respondents did not give a definite answer. So this amounts to almost 6 out of every 10 who did answer saying they would not have taken a trip if low cost ITC's had not been available.

20% of the respondents had never flown before. Another 29% had flown less than 5 times. Even though half of the respondents have had relatively little air travel experience in the past, it appears they would like to do much more of this type of traveling in the future. Over $\frac{2}{3}$ indicated they would definitely or probably be taking another escorted tour in the next year or two.

The average World-Berry passenger is considerably older and less affluent than the typical Hawaiian visitor. Only 16% of all visitors to Hawaii are over 60. However, 32% of the World-Berry passengers are over 60, and over 60% are more than 50 years of age. 9% of all the visitors to Hawaii are retired, but 21% of the World-Berry passengers are retired. Professional people and executives account for half of all the visitors to Hawaii, but only a little over $\frac{1}{3}$ of the World-Berry passengers.

This survey was conducted by passing out the questionnaire at the end of the report to all passengers on every World-Berry Hawaiian ITC since March 3, 1968. 2,115 questionnaires from 29 flights have been received to date. Every 5th questionnaire was tabulated, giving a 20% sample of every questionnaire from every flight. The detailed tabulations, which follow, are based on the 412 questionnaires that constitute this 20% sample.

In general, how did this trip compare with what you originally expected?

	<i>Percent</i>
Far exceeded my expectations.....	24.8
Better than I expected.....	38.1
About what I expected.....	27.9
Somewhat disappointing.....	7.3
Very disappointing.....	1.0
(Did not answer).....	(2.2)
How did you first hear about this trip?	
Magazine ad.....	1.7
Newspaper ad.....	15.8
Friend.....	20.1
Travel agent.....	56.3
Previous tour.....	2.9
Other.....	6.3
(Did not answer).....	(2.9)
Which of the following helped you most to decide on this tour?	
Folder.....	29.1
Travel agent.....	46.6
Advice of others.....	14.3
Previous experience.....	2.7
Price.....	20.4
Ads.....	1.7
Other.....	5.1
(Did not answer).....	(3.4)

Do you think you will be taking another escorted tour in the next year or two?	
Definitely will.....	17.5
Probably will.....	49.8
Probably will not.....	21.8
Definitely will not.....	4.9
(Did not answer).....	(6.1)
Would you have taken a trip to Hawaii if a low-cost inclusive tour charter had not been available?	
Yes.....	32.5
No.....	45.6
Don't know.....	19.2
(Did not answer).....	(2.7)
On the Berry-World tour, did you:	
Go to Kona.....	98.3
Go to Maui.....	98.8
Go to Kauai.....	98.1
Go to Honolulu.....	99.5
Take the Circle Island/Sea Life Park excursion from Honolulu.....	89.6
Take the Pearl Harbor cruise.....	93.9
(Did not answer).....	(.5)
Were the tours to the outer islands:	
An important part of your vacation package.....	88.8
An inconvenience which interrupted your stay at Honolulu.....	4.6
A matter of no importance one way or the other.....	3.4
(Did not answer).....	(3.4)
Since this inclusive tour charter involved group travel and the pre-arrangement of many accommodations and activities did you:	
Enjoy the convenience of group travel.....	85.4
Object to this arrangement.....	4.6
No opinion.....	7.3
(Did not answer).....	(3.2)
What is your occupation?	
Professional, technical.....	19.7
Business, managerial, official.....	17.0
Sales, office, clerical.....	13.6
Military.....	.5
All other employment.....	4.4
Housewife.....	22.3
Retired.....	21.4
Student.....	2.2
Other non-employed.....	1.0
(Did not answer).....	(1.9)
Are you:	
Male.....	42.2
Female.....	56.6
(Did not answer).....	(1.2)
Marital status?	
Married.....	70.6
Single.....	13.8
Widowed.....	14.1
(Did not answer).....	(1.4)
Age:	
Under 10.....	.2
10-19.....	1.7
20-29.....	9.2
30-39.....	6.6
40-49.....	21.1
50-59.....	28.9
Over 60.....	31.8
(Did not answer).....	(1.2)

Annual family income:	
Under \$5,000-----	8.0
\$5,000-\$7,000-----	14.6
\$7,000-\$10,000-----	10.2
\$10,000-\$15,000-----	19.9
\$15,000-\$20,000-----	10.4
Over \$20,000-----	15.5
(Did not answer)-----	(21.4)
Education (check highest):	
Grammar school-----	4.6
Some high school-----	11.2
Finished high school-----	30.6
Some college-----	26.9
College graduate-----	19.9
(Did not answer)-----	(7.8)
Have you ever flown on an airline before taking this trip to Hawaii?	
Yes-----	76.5
No-----	19.7
(Did not answer)-----	(3.9)
If so, how many times previously had you traveled on an airline?	
5 or less-----	29.1
Over 5-----	50.0
(Did not answer)-----	(20.8)
In which city and state do you live? Would you write your zip code in the boxes below?	

(Percent residing in each major Zip Code Area)

North Atlantic States (Zip Area 0)-----	5.6
Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New Jersey.	
North Central Atlantic (Zip Area 1)-----	12.6
New York, Pennsylvania, Delaware.	
South Central Atlantic (Zip Area 2)-----	1.2
Maryland, Dist. of Columbia, Virginia, West Virginia, North Carolina, South Carolina.	
South East States (Zip Area 3)-----	1.0
Georgia, Florida, Tennessee, Kentucky.	
East Central States (Zip Area 4)-----	17.7
Ohio, Indiana, Michigan, Kentucky.	
North Central States (Zip Area 5)-----	10.7
Iowa, Wisconsin, Minnesota, North Dakota, South Dakota, Montana.	
West Central States (Zip Area 6)-----	13.8
Illinois, Missouri, Nebraska, Kansas.	
South Central States (Zip Area 7)-----	1.5
Texas, Oklahoma, Arkansas, Louisiana.	
Mountain States (Zip Area 8)-----	6.3
Colorado, New Mexico, Arizona, Utah, Idaho, Nevada.	
Pacific States (Zip Area 9)-----	24.3
California, Oregon, Washington, Alaska, Hawaii.	
(Did not answer)-----	(5.3)
Tour departed from:	
New York-Chicago-----	44.9
Los Angeles-----	25.7
Oakland-----	29.4

NATIONAL AIR CARRIER ASSOCIATION, INC.,
Washington, D.C., June 13, 1968.

Hon. A. S. MIKE MONRONEY,
U.S. Senate, Washington, D.C.

DEAR SENATOR MONRONEY: In answer to your question concerning our position with respect to the revisions to S. 3566 as proposed by CAB and as reflected on Attachment 1 hereto, this is to advise that the CAB revision is acceptable to the National Air Carrier Association and its member airlines.

Sincerely,

EDWARD J. DRISCOLL

[S. 3566, 90th Cong., second sess.]

A BILL To amend the Federal Aviation Act of 1958 with respect to the definition of "supplemental air transportation", and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (33) of subsection (a) of section 101 of the Federal Aviation Act of 1958 is amended to read as follows:

"(33) 'Supplemental air transportation' means charter trips, including inclusive tour charter trips, in interstate, overseas, and foreign air transportation, other than the transportation of mail by aircraft, rendered pursuant to a certificate of public convenience and necessity issued pursuant to section 401(d)(3) of this Act and subject to regulations prescribed by the Board, and 'inclusive tour charter' trip means the charter of an aircraft or portion thereof by a tour operator for the carriage by a supplemental air carrier of passengers in interstate, overseas, and foreign air transportation on a round trip tour which is to one or more points and combines air transportation and land services.²² to supplement the scheduled service authorized by certificates of public convenience and necessity issued pursuant to sections 401(d) (1) and (2) of this Act."

SEC. 2. Certificates of public convenience and necessity for supplemental air transportation and statements of authorization, issued by the Civil Aeronautics Board, which are in effect on the date of enactment of this Act, are notwithstanding any contrary determination by any court, hereby validated, ratified, and continued in effect according to the their terms, notwithstanding any contrary determination by any court that the Board lacked power to insofar as such certificates or statements authorize the performance of inclusive tour charter trips in interstate, overseas, and foreign air transportation.

NOTE.—Italic matter represents the Board's recommended additions to the bill; lined through matter represents the Board's recommended deletions in the bill.

Senator MONRONEY. The record will be held open for submission of further material until 5 p.m. tomorrow.

The committee will stand in adjournment.

(Whereupon, at 1:30 p.m., the subcommittee was adjourned.)

(The following material was submitted for the record after the close of the hearing:)

STATEMENT BY HON. DANIEL K. INOUE, U.S. SENATOR FROM THE STATE OF HAWAII

Mr. Chairman, members of the committee, thank you for the opportunity and privilege of appearing before this distinguished committee which is considering a matter of great importance to a young segment of the air transport industry, the supplemental carriers, and to potentially millions of average Americans.

Several weeks ago, the U.S. Supreme Court, in a 4 to 4 vote, in effect affirmed a ruling by the New York Second Circuit Court which held that the Civil Aeronautics Board does not have the power to grant foreign Inclusive Tour authority.

I am sure that this unfortunate ruling will be a blow to many thousands of middle and low income people who were planning vacations this summer.

As an example of the numbers involved in Inclusive Tour Charters (ITC's), I should like to call to the attention of the committee that in 1967, Hawaii received 51,000 visitors on ITC flights and we are anticipating in excess of 100,000 ITC passengers in 1968. This sizeable amount of new visitors to our economy is now in jeopardy.

Inasmuch as the challenge to the CAB power to grant *foreign* Inclusive Tour Charters has been upheld, I am concerned that the authority to grant *domestic* ITC's could also be challenged. This would undoubtedly be a sad step backward for the entire air transportation industry; the charter airlines are not only developing new business but are generating additional passengers for the scheduled airlines. This is true not only in the Hawaii Visitor Market, but for other areas as well. Moreover, one major tour packager is currently building a 550 room hotel in Waikiki and several of the supplemental airlines, active in the Hawaiian ITC programs, are committed to other major hotel projects.

I am convinced that the success of the charter program is primarily due to the hard work, ingenuity, and willingness on the part of the supplemental carriers to better serve the American public. We are all aware that in the past few short years, the supplementals have literally brought themselves up by their bootstraps and all of us, including Hawaiians, have reason to be proud of their accomplishments. They provide an important public service and the CAB thoroughly considers their capability and increasing responsibility before granting them the ITC authority.

I urge you to grant the CAB the necessary authority as envisioned in S. 3566.

STATEMENT IN SUPPORT OF S. 3566 BY THE SOUTHERN FLORIDA HOTEL AND
MOTEL ASSOCIATION

The Southern Florida Hotel and Motel Association is pleased to have the opportunity to present this statement in support of S. 3566, a bill to amend the Federal Aviation Act of 1958 with respect to the definition of supplemental air transportation.

The Association is a trade organization composed of 43 of the leading tourist hotels and motels located in and around Miami Beach, Florida. It was organized in 1943 to represent the common interests of the hotels and motels of the Miami Beach area and to promote tourist travel to Southern Florida. The member hotels and motels offer over 12,500 rooms to Florida vacationers, employ over

10,000 workers and have a total annual payroll in excess of \$30 million. Its members are:

Algiers	Hollywood Beach
Allison	Ivanhoe
Americana	Kenilworth
Balmoral	Lucerne
Barcelona	McAllister
Beau Rivage	Monte Carlo
Cadillac	Montmartre
Carillon	Nautilus
Casablanca	New Everglades
Castaways	Newport
Colonial Inn	Sans Souci
Crown	Saxony
Deauville	Sea Gull
Delano	Sea Isle
De Lido	Seville
Doral Beach	Shelbourne
Doral Country Club	Sheraton Four Ambassadors
Dupont Plaza	Sherry Frontenac
Eden Rock	Shore Club
Fontainebleau	Surfcomber
Holiday Inn—22nd St.	Versailles
Holiday Inn—87th St.	

A primary purpose of the Association is to promote the development of tourism in the Miami Beach area. We believe the proposed legislation could make a substantial contribution to tourist development in several different ways, all of which are in the public interest.

The bill is intended, as we understand it, to clarify the intent of Congress concerning the authority of the Civil Aeronautics Board to grant to supplemental air carriers inclusive tour charter authority, and to protect the competitive position of scheduled route airlines by defining inclusive tour charter trips to insure that they would not involve individually ticketed service. We believe its passage during this session of the Congress is vital to preserve the existing authority of the supplemental airlines and avoid the chaotic and confusing situation which would otherwise result from recent court decisions.

The Committee is fully familiar with the history of the inclusive tour charter problem, which we will not repeat. Instead, we wish to detail the public benefits of this legislation, and to emphasize the role which can be played by inclusive tour charters as a spur to lower cost vacations, whether air travel be by supplemental or scheduled carrier. We will discuss these matters in terms of our own experience, since that is what we know best.

Miami Beach is, of course, one of the greatest vacation areas of the world. Each year, millions of tourists enjoy the beaches, recreational facilities and hotels of this fine resort community. A large portion of these visitors arrive by air. The Florida Development Commission, in its 1966 Florida Tourist Study, estimated that 2,469,541 tourists took airplane flights to Florida.

While Miami Beach is perhaps first thought of as a winter vacation spot, the off-season (which stretches from April through early December) has attracted more and more visitors over the years. This is because we offer outstanding vacation value during this period, which cost-conscious vacationers recognize as one of the greatest bargains in the world. For example, Miami Beach hotel rates during the off-season average fully 50% below winter prices. The summer vacationer can enjoy the full facilities of our resort hotels for \$12 daily, including two full meals.

The special characteristics of the Florida off-season markets are reflected in statistics of the Florida Development Commission. During the summer the average Florida vacationer stays 11.50 days, at a cost averaging \$15.30 daily. Thus he spends, on the average, \$175.95 per stay. His winter counterpart stays about a week longer, despite higher costs, and spends some \$320.80, or 80% more, not counting differences in air fare.

Thus, Florida and particularly the Miami Beach area are ideally suited to travel by inclusive tour charter. Based on current tariffs, air charter costs from New York to Miami would approximate \$50 per person, round trip. The cheapest fare available on regular schedules is \$99 off-season, \$142 on-season. The typical

family group thus would save well over \$150 on air travel using an inclusive tour charter.

As the Committee probably knows, charter programs have been run to Miami in past years. For example, a series of charters during the winter of 1961-62 attracted thousands of vacationers. Seventy percent had never flown before. Thus the charter flight builds future passengers for the scheduled airlines, by giving them their first exposure to the ease, speed and comfort of travel by air. The experience cited, although it involved affinity charters, should be equally applicable to inclusive tour charters.

Inclusive tours also can greatly benefit our country's balance of payments by bringing American vacations within the budgets of foreign travelers. This Association and its individual members for some years have actively sought foreign business. We have made many marketing trips to Europe and Latin America. Our members have long offered special rates—even below the off-season discounts—to our foreign guests. Several hotels maintain special foreign departments, print menus in other languages, and offer special international services.

But a major deterrent to foreign travel in this country is its cost. Although international air rates have come down in recent years, they are still high. What is more, costs of first-class hotels throughout the country are generally thought of, by our foreign friends, as beyond their means.

On the other hand, the low off-season rates of Miami Beach tourist hotels meet the needs of international visitors. At a May meeting in Miami sponsored by this Association for foreign travel agents, they were most pleasantly surprised to learn of our low rates. Many foreign travel agents said their clients would come to Miami Beach if air travel costs could be lowered. This, of course, would be dramatically accomplished by inclusive tour charter flights. On such a package tour, a European visitor could easily spend two weeks at a beach resort hotel for \$350-400 including air travel. (This estimate includes \$200 for round trip air fare, which is easily attainable in a charter program, based on current tariffs for the modern large jets operated by the supplemental airlines.)

In 1966, some 1,100,000 persons arrived in Florida from foreign countries. Of these, 422,000 were aliens and may be counted as tourists. Fully 88% arrived by air. While these are impressive numbers, they do not begin to compare with the potential market. Civil Aeronautics Board figures show that there were 3,284,000 transatlantic passengers in 1967, of whom 557,000 traveled by charter.

The supplemental air carriers, if their inclusive tour authority is continued, would have maximum incentive to develop this travel. Many already have European sales offices. International inclusive tour charters have been slow to develop because of legal problems with which the Committee is fully familiar. Clarifying legislation, such as S. 3566, would remove this uncertainty and speed development of the market.

Inclusive tour charter authority plays one other very important role: by acting as a competitive spur to low cost individually ticketed air travel it encourages the regularly scheduled carriers to reduce their fares. This has been particularly evident in the transatlantic market. The Committee will recall that the IATA carriers did not introduce their low Group Inclusive Tour fares until after the CAB had moved to grant inclusive tour charter authority to the supplementals. The continued availability of inclusive tour charters will supply an important spur to the scheduled airlines. It will help keep them operating as efficiently and at the lowest cost possible.

In sum, the limited experience which has been possible under the inclusive tour charter program of the CAB demonstrates that this is an extremely effective device for making the benefits of low cost vacations available to large segments of the public. Potentially, the inclusive tour charter is an excellent means of stimulating travel to the United States by foreign visitors and thereby making a significant contribution to the nation's balance of payments. It will also act as a competitive spur to the scheduled carriers. Miami Beach off-season tourist travel could well benefit from continuation of inclusive tour charter authority, particularly if there is a clear declaration of Congressional intent which would enable the CAB to liberalize the regulations under which it has approved such charters in the past. The Association enthusiastically supports passage of the proposed legislation at the earliest possible date.

NORTHWEST AIRLINES, INC.,
Washington, D.C., June 14, 1968.

Hon. A. S. MIKE MONRONEY,
Chairman, Aviation Subcommittee, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR SENATOR MONRONEY: Northwest Airlines is opposed to S-3566 on the grounds that its enactment would be detrimental to the sound development of air transportation.

The Bill destroys the charter concept because it does not encompass the solicitation of a charter group but rather envisions the formation of a group solicited from individual members of the general public. The enactment of such a proposal would result in increased diversion of traffic from the scheduled carriers beyond that which has already developed from the Inclusive Tour Charter authority authorized by the Civil Aeronautics Board.

The Board regulation itself went far beyond the true charter concept which Congress has established for supplemental airlines. This Bill goes even beyond the Board's intention in a way that results in virtual freedom to duplicate scheduled airline services.

Sincerely yours,

R. J. WRIGHT.

AMERICAN SOCIETY OF TRAVEL AGENTS, INC.,
New York, N.Y., June 14, 1968.

Hon. A. S. MIKE MONRONEY,
Chairman, Subcommittee on Aviation, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter expresses the views of the American Society of Travel Agents, Inc. (ASTA) in connection with your bill, S. 3566, which would specifically authorize supplemental air carriers to charter aircraft to tour operators to transport inclusive tour groups.

ASTA, a trade association with headquarters at 360 Lexington Avenue, New York City, is the world's largest organization representing the industry of travel and tourism, with more than 7,500 members composed of active travel agents, tour operators, air, sea and surface carriers, hoteliers and all of the other elements involved in travel and tourism. ASTA's active members operate more than 2,500 travel agency locations throughout the United States and Canada. These travel agents, acting through their Board of Directors, determine the policy of the association.

ASTA first supported the awarding of inclusive tour charter authority to supplemental air carriers in a Civil Aeronautics Board proceeding in 1961. Since that time, ASTA has continued to support inclusive tour charters in proceedings before the CAB and in the United States Circuit Courts and the Supreme Court of the United States.

ASTA continues to support this concept as an effective program designed to broaden United States tourism through the use of aviation. Therefore, we support your bill and urge its adoption by the Congress.

ASTA has reviewed the excellent statement of Chairman John H. Crooker, Jr., on behalf of the Civil Aeronautics Board, presented to your Subcommittee on June 12, 1968. It concurs with the statement in all respects except for the treatment which it gives to the question of supplemental air carriers themselves managing and operating the inclusive tours involved in the charters. As the Chairman's statement points out, inclusive tour charters serve the public interest by providing a healthy element of competition in the aviation industry while, at the same time, not causing substantial diversion of traffic from the scheduled carriers.

It is ASTA's view that if the public interest is adequately to be served in connection with the use of inclusive tour charters, such charters should be programs which result from the chartering of an aircraft by a supplemental air carrier to a tour operator who would assemble all the necessary elements of the tour and market the tour to the American traveling public through the facilities of the almost 6,000 travel agents throughout the United States.

It is also ASTA's view that a separation of function between the supplemental carrier and the tour operator is highly desirable. To allow the supplemental carrier to set up the tours and assemble the participants would place serious

temptations on the carrier to evade the Board's rules designed to prevent diversion from the scheduled carriers, evasions that would be difficult, if not impossible, to prevent.

Therefore, we subscribe to the theory which the CAB has adopted that supplementals should not market inclusive tour trips directly to the traveling public. We urge that your Committee and the Congress specifically so provide in legislation dealing with this subject.

As Chairman Crooker's statement has pointed out, the controversy and litigation which has surrounded the inclusive tour charter authority of the CAB has created difficulties for tour operators and travel agents attempting to sell inclusive tour charter trips, and has thus adversely affected the public. We therefore urge your Committee to enact legislation to clarify the Board's authority to authorize supplemental air carriers to perform inclusive tour charters.

Sincerely yours,

GEORGE L. FICHTENBAUM,
Executive Director.

STEPHENS, INC.,
Little Rock, Ark., June 10, 1968.

HON. WILLIAM FULBRIGHT,
*New Senate Office Building,
Washington, D.C.*

DEAR SENATOR FULBRIGHT: Stephens, Inc., recently purchased control of Purdue Airlines, Inc., one of the thirteen supplemental air carriers.

A major reason for my interest in this business was the right these air carriers had been given by the CAB to offer the public inclusive tours. The Supreme Court recently invalidated this authority in a 4-4 split vote, effectively upholding the New York Circuit Court which ruled that the law did not give the CAB the right to grant such authority.

Senators Monroney and Magnuson have introduced a bill designated as S. 3566 which is designed to confer authority on the Board to authorize inclusive tour charter trips to supplemental air carriers, thereby validating the outstanding certificates—both domestic and foreign—previously issued by the CAB. Hearings on this Senate bill have been scheduled for June 12 at 9:30 a.m.

A companion bill with certain important differences was introduced yesterday into the House and designated as H.R. 17685. It was jointly sponsored by the following six Congressmen: Moss, Miller, Adams, Leggett, Wilson and Waldie. This bill, which is our preference of the two, contains no definition of inclusive tour, but rather leaves it to the Board to decide. It also does not describe inclusive tours as charter trips, eliminating thereby, we hope, potential litigation of this point. Neither bill, incidentally, contains the present language that supplemental air transportation is designed to "supplemental the scheduled services" of the route carriers. That additional phrase has proved to be a confusing one.

Tentatively, Mr. Sam Friedel, Chairman of the Aviation Subcommittee of the House and Interstate Foreign Commerce Committee, has scheduled hearings for Thursday, June 13.

Anything you can do to help pass this legislation and restore previously awarded rights to the supplemental air carriers will be greatly appreciated.

Sincerely,

JACK STEPHENS.

ELK GROVE VILLAGE, ILL., *June 14, 1968.*

HON. A. S. MIKE MONRONEY,
*New Senate Office Building,
Washington, D.C.:*

United Air Lines fully supports the position taken by the Air Transport Association in testimony before your subcommittee on June 13 on S. 3566. United opposes S. 3566 a bill which would in our opinion grant broad new powers to the CAB in regulation of the supplemental air carrier industry by granting authority which would permit supplemental air carriers to solicit passenger business from the general public and market their services in a manner that would have a serious adverse effect on scheduled air transportation. Of the total amount of

traffic carried by the supplemental and scheduled carriers between the mainland and Hawaii the penetration of the supplementals is as follows:

In 1966, 4.8 per cent.

In 1967, 9.2 per cent.

First five months of 1968, 13.9 per cent.

This shows a very substantial and rapidly multiplying penetration.

ROBERT E. JOHNSON,
*Senior Vice President, Marketing and Services,
United Air Lines, Chicago.*

FRAMINGHAM, MASS., June 4, 1968.

Senator MIKE MONRONEY,
*Senate Office Building,
Washington, D.C.:*

We heartily endorse the legislation (S. 3566) that you and Mr. Magnuson have introduced in the Senate and in particular the recognition of the significant contribution of the tour operator to the inclusive tour charter program.

CONTINENTAL TRAVEL, INC.,
829 Boylston Street, Boston, Mass.

MIAMI, FLA., June 14, 1968.

Senator MIKE MONRONEY,
*Senate Office Building,
Washington, D.C.:*

Respectfully request that S. 3566 now pending before the Senate aviation subcommittee be rejected. It is our feeling that the powers granted in this legislation regarding supplemental carriers will have the ultimate effect of allowing the CAB to give supplemental authority to issue tour tickets on an individual basis.

E. J. HILLINGS,
*Director of Public Affairs,
National Airlines, Inc.*

ROGAL TRAVEL SERVICE,
Philadelphia, Pa., June 12, 1968.

Hon. A. S. MIKE MONRONEY,
*U.S. Senate Building,
Washington, D.C.*

DEAR SENATOR MONRONEY: A Bill has been introduced into the U.S. Senate (S. 3566) to amend the Federal Aviation Act to make it clear that Supplemental Air Carriers may charter to Tour Operators for the purpose of operating Inclusive Tour Charters.

We feel very strongly that the introduction of this Bill is necessary in that the United States Court of Appeals for the Second Circuit and the United States Court of Appeals for the District of Columbia decided the question of the authority of the Civil Aeronautics Board to authorize Supplemental Air Carriers to perform Inclusive Tour Charters inconsistently with one another.

As you are well aware, the Supreme Court reviewed the case, but it split 4 to 4, thereby leaving the issue unresolved, unfortunately.

It is our experience in the last two years that Inclusive Tour Charters have had a healthy and stimulating effect upon travel from our city and others on the Eastern Seaboard throughout various areas of the United States.

We firmly believe that most of these travelers would not have traveled had it not been for the availability of an Inclusive Tour Charter. The economics of the situation, the ability to travel in groups conveniently, plus many other peripheral advantages are tremendous in our eyes.

Moreover, we feel it is very much in the public interest to stimulate our fellow citizens to travel within our country, to share experiences, and to get to know more about their fellow countrymen.

It is in this spirit that we urge you to lend your very valued support to the Bill pending before the Senate.

Cordially,

KEITH C. ROGAL, *President.*

AMERICAN AIRLINES,
Washington, D.C., June 14, 1968.

Subject: Statement of American Airlines, Inc., re S. 3566.

Hon. A. S. MIKE MONRONEY,

*Chairman, Aviation Subcommittee, Senate Commerce Committee, U.S. Senate,
Washington, D.C.*

DEAR SENATOR MONRONEY: In 1962, the Congress adopted Public Law 86-528, 76th Stat. 143, which amended the Federal Aviation Act by establishing a comprehensive system for the certification and regulation of supplemental air carriers. In the course of adopting such legislation, the Congress devoted a great deal of time and attention to the question whether supplemental air carrier should have authority to conduct so-called "all-expense" tours. The pros and cons of this complicated question were thoroughly set forth on the record.

The Senate initially proposed in 1962 to give supplemental carriers "all-expense" tour authority, but eventually receded from this position in the face of House opposition. We believe it is perfectly clear that the legislation as finally adopted meant to deny this authority to the supplemental carriers. For example, Senator Thurmond, in commenting on the action taken by the House and Senate conferees, stated:

"I am advised that the CAB Bureau of Economics has advocated that a so-called all-expense tour concept be drafted onto the existing charter definition. This would be intolerable, and has been expressly rejected by the conferees. The Senate receded from its charter definition which included this all-expense tour provision" (108 Cong. Rec. 12285 (June 29, 1962)).

Numerous other statements to the same effect were made both before the House and Senate following the report of the conferees. It is therefore misleading to characterize S. 3566 as an effort to clarify the intent of Congress in 1962. Quite to the contrary, this bill is an effort to grant to supplemental air carriers a type of authority that was, after a great deal of consideration, carefully withheld for them in 1962.

The position of the Civil Aeronautics Board on this question was the same in 1962 as it is today. The Congress refused to give the Civil Aeronautics Board the authority it desired in 1962; we know of no reason why this question should be decided differently today.

Sincerely,

JAMES P. BASS, *Vice President.*

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