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Civil Aeronautics Board

Administrative History
Volumes I and II

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THE CIVIL AERONAUTICS BOARD DURING THE ADMINISTRATION

OF

PRESIDENT LYNDON B. JOHNSON

November 1963 - January 1969

VOLUME I

PREFACE

In the 30 years since the Civil Aeronautics Board was created by passage of the Civil Aeronautics Act of 1938, both the Civil Aeronautics Board and the industry it regulates and promotes have evolved, the latter from an infant industry into a giant whose realized past is outshone only by the anticipation of greater promise yet to come. In that same period the Civil Aeronautics Board has remained virtually unchanged in size.

While the growth of air transportation has been great throughout the three decades of the Civil Aeronautics Board's existence, without a doubt the period of greatest growth, surpassing all previous periods and most predictions, has been in the last half decade.

Also in that half decade the ability of the Civil Aeronautics Board to adapt its regulatory approach has, perhaps, been most evident and most important. With the growth of the industry far outstripping the growth of the national economy as a whole, the Board was able to be less the "caretaker" and more the promoter of the industry and this has strengthened not only the aviation industry but the general economy as well. Fast, safe and increasingly economical travel comes within the grasp of a broader segment of the

public each year. Likewise the Civil Aeronautics Board's role in international air travel has left a salutary mark on the recent history and economy of the United States and on its dealings with other nations.

This account of the Civil Aeronautics Board's activities concentrates on the period 1963-1968, which covers most of the years of the air transportation industry's greatest growth. By its nature the account also includes some of the industry's greatest problems and accomplishments in solving them. Necessarily, therefore, this also is an account, during these years, of the multifaceted role of the Civil Aeronautics Board operating as referee, promoter, advocate, policer, catalyst, architect, balance wheel and guardian of the public interest.

FOREWORD

The Administrative Histories of the Civil Aeronautics Board from November 1963 to January 1969, during the administration of President Lyndon B. Johnson, was prepared under the overall direction of Chairman John H. Crooker, Jr.

Executive guidance and supervision were provided by Mr. Charles F. Kiefer, Executive Director. Assisting in coordinating the staff reports of the bureaus and offices of the Civil Aeronautics Board were Miss M. Joan Coward, Special Assistant to the Chairman; Mr. Charles T. Donnelly, Congressional Relations Officer; Mr. Wallace C. Stefany, Information Specialist; and Mrs. Taimi H. Aber, Secretary.

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CIVIL AERONAUTICS BOARD

WASHINGTON, D.C. 20428

IN REPLY REFER TO: B-1-8

JAN 13 1969

Mr. Joseph A. Califano, Jr.
Special Assistant to the President
The White House
Washington, D. C.

Dear Mr. Califano:

In accordance with your communication of November 14, 1968
the Civil Aeronautics Board is pleased to submit the supplement
to the final version of its contribution to the Administrative
Histories Project.

Sincerely,

A handwritten signature in dark ink, reading "Charles F. Kiefer", with a long, sweeping horizontal flourish extending to the right.

Charles F. Kiefer
Executive Director

CIVIL AERONAUTICS BOARD

ADMINISTRATIVE HISTORY

In June of 1968, the Civil Aeronautics Board celebrated its 30th anniversary. The Congress created the Board in 1938 when it passed the Civil Aeronautics Act, delegating to it certain specific powers of the Congress itself. Today the Board functions under a successor Act, the Federal Aviation Act of 1958, which carries forward the provisions of the original Act without substantial change. The Board, therefore, operates within the framework of essentially the same regulatory scheme and statutory mandate that was laid down when it came into being 30 years ago.

This framework is set forth in the Declaration of Policy ^{1/} which provides the basic guidelines within which the Board is to regulate and promote the air transport industry. The declaration is as follows:

DECLARATION OF POLICY: THE BOARD

Sec. 102. [72 Stat. 740,49 U.S.C. 1302] In the exercise and performance of its powers and duties under this Act, the Board shall consider the following, among other things, as being in the public interest, and in accordance with the public convenience and necessity:

(a) The encouragement and development of an air-transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense;

(b) The regulation of air transportation in such manner as to recognize and preserve the inherent advantages of, assure the highest degree of safety in, and foster sound economic conditions in, such transportation, and to improve the relations between, and coordinate transportation by, air carriers;

^{1/} Section 102, Federal Aviation Act of 1958.

(c) The promotion of adequate, economical, and efficient service by air carriers at reasonable charges, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices;

(d) Competition to the extent necessary to assure the sound development of an air-transportation system properly adapted to the needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense;

(e) The promotion of safety in air commerce; and

(f) The promotion, encouragement, and development of civil aeronautics.

The Board is composed of five Members who are appointed for six year terms on a staggered basis by the President with the consent of the Senate. The President each year designates one Member as Chairman and one as Vice Chairman. As a practical matter, the Chairman once appointed generally is continued in that capacity throughout his tenure, unless there is a change of Administration. As a result, there is a continuity of leadership at the Board which is not found, for example, in an agency such as the Interstate Commerce Commission. The Board is one of the smallest agencies of the Federal Government. On January 1, 1964, its full time staff was comprised of 639 personnel.^{2/} Today, the Board is operating with a full-time staff of 649 personnel, an increase of only 1.6 percent.

By way of contrast, the industry which it is called upon to regulate is one of the most rapidly growing in the economy. Total assets of the certificated air carrier industry -- including both the route and

^{2/} Data do not reflect temporary summer employment or, for purposes of comparability, those personnel devoted to the safety function in 1964. These latter personnel were subsequently transferred to the Department of Transportation which, upon its inception in 1967, assumed responsibility for safety in all modes of transportation.

supplemental carriers -- now stand at \$10.2 billion, up 145 percent from 1963.^{2/} Overall passenger and cargo capacity now stands at 34 billion available ton-miles, up 136 percent from 1963. Passenger capacity reached an annual level of 208 billion available seat miles, an increase of 108 percent over that available in 1963. This represents an average annual increase of 23 percent. Passenger traffic has increased at an average annual rate of 21 percent since 1963, reaching an all-time high of 123 billion passenger-miles for the year ended March 31, 1968. At the present time, approximately two-thirds of all domestic common carrier travel is by air, and 95 percent of all travel between the United States and the rest of the world is by air.

While air transportation is not now used as extensively for the shipment of cargo, the volume of cargo shipped by air nevertheless developed at a healthy rate, showing an average annual increase of 27 percent since 1963 to a level of 5.4 billion ton-miles.

The net result of this strong growth trend in passenger and cargo traffic is that total industry revenues reached a new peak of \$7.3 billion in the year ended March 31, 1968. This represents an average annual revenue increase of 16 percent since 1963, as compared with an average annual increase of 7 percent in our gross national product and an increase of 1.3 percent in population during the same period.

^{2/} Data are for the year ended March 31, 1968, unless otherwise indicated, and include the certificated domestic and international route carriers and the supplemental charter carriers.

During the past 4 years, all segments of the industry have undertaken substantial re-equipment programs. At the present time the total fleet includes some 2,500 aircraft, with jets accounting for over 90 percent of the seat-mile capacity presently offered. Total investment in aircraft today stands at \$5.8 billion, and orders for the delivery of additional equipment before the end of this decade approximate \$4 billion.

While, as mentioned earlier, the Board has operated throughout its existence under the same policy directive, it has adjusted its regulatory approach as changing circumstances have warranted. This flexibility is made possible to a considerable extent by the fact that the Board is charged with the responsibility for promoting as well as regulating the air transport industry. As a matter of fact, the Board is unique among regulatory agencies in this regard.

The vigorous growth of the industry during the 1963-1968 period has made it possible for the Board to take a less custodial approach, and it has increasingly emphasized the promotional aspect of its responsibilities. This new emphasis has, in turn, contributed to the strength with which the industry has continued to develop. It must be said that the Board cannot claim sole credit for the record which the carriers have built during this period. Certainly a major, if not the major factor has been the buoyancy of the economy as a whole. The carriers' initiative in accomplishing substantial conversion to jet aircraft has also been a contributing factor. Moreover, the regulatory scheme laid down by the Federal Aviation Act does not place in the

Board total authority over the carriers. Much is left to the discretion of individual carrier managements.^{4/} Nevertheless, it is fair to conclude that the Board's activities have had a good deal of influence upon the pace with which the industry has grown in recent years.

The dominant theme of the Board's activities during the 1964-1968 period has been expansionism, the ultimate objective being to bring the opportunities for travel which air transportation can provide within the reach of many more of our citizens. The specific programs developed to this end are detailed in subsequent chapters of this history.

In summary, however, the Board has taken essentially a two-pronged approach. First, it has launched a wide-ranging program of certification proceedings designed to improve the air service available to the traveling and shipping public by authorization of new competitive services, and new or additional nonstop services. Second, the Board has encouraged and, with the cooperation of the carriers, has achieved a number of reduced promotional fares which have opened up new traveling possibilities, particularly with respect to vacation destinations. These promotional fares have been widely accepted by the traveling public. The significance of this fare program may be seen in the fact

^{4/} For example, fares are initiated by the carriers with the Board acting as what might be called an "overseer", setting fares only after an evidentiary finding that the carrier's proposal is unlawful. Nor has the Board control over the amount of service which a carrier provides, or the number of aircraft which it purchases.

that the average domestic passenger yield declined by approximately 10 percent during a period when the over-all consumer price index rose by close to 10 percent.

Since the Board functions under delegation of power from the Congress, it acts -- with one exception -- independently of the Executive Branch in reaching its decisions. The one exception involves the certification of U.S.-flag international services and the grant of operating permits to foreign-flag carriers. Here the Board acts in the capacity of adviser to the President since such decisions may affect the conduct of the country's international affairs. Interested departments and agencies of the Government are, of course, free to participate as parties in proceedings before the Board and, in this way, can be assured that the Board will take their views into consideration in reaching its decision. In addition, the Board maintains continuing informal contact with a number of departments and is a member of the Interagency Group on International Aviation.

Despite the independent nature of the Board's function in the overall Governmental scheme, the Board nevertheless seeks to accommodate and advance the basic policy objectives of the Administration wherever possible, consistent with its obligations under the statute. This has become increasingly important now that air transport has become an essential channel for the flow of people and goods and, as a consequence, an industry which affects significantly the pace of the nation's economic growth.

During the past 5 years the Board has had a number of opportunities to make contributions toward the achievement of broad national goals. These opportunities have arisen both in the field of domestic economic policy and in the area of improving our international relations and, in addition, in connection with particular programs of the Administration such as the relief of traffic congestion at airports. The specific efforts of the Board in this regard will be highlighted in subsequent chapters.

S U P P L E M E N T

To

C H A P T E R I

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Domestic Certificated Services

Minneapolis/St. Paul and Milwaukee have become the subjects of several investigations designed to examine air service to and from these cities. Thus, the Board has instituted an investigation into the need for long-haul service between Boston, New York, Philadelphia and Washington/Baltimore and the Twin Cities and Milwaukee, and between the Twin Cities and Seattle/Tacoma-Portland. Further, a decision is pending in the Milwaukee Short-Haul Investigation in which the Board is considering the need for new and improved service between Milwaukee and Columbus, Dayton, Cincinnati, Indianapolis and Louisville. The need for nonstop service in the Buffalo-Twin Cities market is also currently under consideration.

In the Service to Salt Lake City Investigation the need for additional service between Salt Lake City and such points as San Francisco, New York, Chicago and Washington, D. C. is being considered.

In another proceeding, the North Carolina Points Service Investigation, the Board is examining service between the Charlotte, Greensboro-High Point-Winston-Salem markets and New York/Newark, Chicago and Miami.

The Board has also instituted an investigation to determine the need for service between Oklahoma City and Tulsa and the southeastern cities of Atlanta, Tampa and Miami.

International Services

Decisions have been issued in the --

United States-Caribbean-South American Route
Investigation (U.S.-South America Part)

Transpacific Route Investigation (International
Phase) and (Domestic Phase)

Bermuda Service Investigation

Supplemental Carrier Services

Congress enacted legislation removing the doubt which had been cast on the Board's power to authorize inclusive tours by an adverse court decision followed by a 4-4 split vote of the Supreme Court on appeal. The legislation includes inclusive tour charters within the definition of "charters" in the Federal Aviation Act of 1958, thus specifically authorizing the supplemental and route carriers to perform this type of charter.

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C H A P T E R I

Subsidy provided in support of services to and within Alaska has been eliminated for some carriers and has declined for others. Similarly the subsidy support for local service carriers has been diminishing, due to a number of factors. For one, the carriers are rapidly becoming equipped with more efficient and modern equipment which reduces the cost of providing service, albeit creating a burden of increased investment in the immediate years ahead. Secondly, liberalized route authority and expanded market access as authorized by the Board and mentioned earlier have substantially strengthened the local service carriers. The Board has endeavored to enable the local service carriers to provide more efficient and economical service between points already on their systems and has accomplished this through the various route realignment proceedings mentioned earlier. Additionally, its "Subpart M" and other proceedings have attempted to afford these carriers access to new and more heavily traveled markets. Thus, by the end of fiscal year 1969 the overall subsidy is expected to decline to about \$48.5 million; the subsidy for the local service carriers should decline to \$43 million. The Board estimates that this decline will continue in the forthcoming years.