

American Export Line -

Subject File

P.S.F. Box

PSF Amer. Export
THE WHITE HOUSE
WASHINGTON

January 16, 1941

CONFIDENTIAL

MEMORANDUM FOR

THE SECRETARY OF STATE

While I do not know whether it is true or not, I am told that Mr. Burke of the State Department told a Senate Committee (re appropriations) that it was the settled policy of the State Department and all other Government Departments that this Administration seeks to parallel all American airlines flying into foreign countries with other American airlines.

Would you let me know if this story is true?

F. D. R./tab

THE
Carlton
WASHINGTON, D. C.

File
Personnel
confidential
undebatable on
Export Airline

F. D. R.

Please Read -

Last week. Burke of the State Dept.
told a Senate Committee considering
Export Air's second request for an
appropriation - that it was the settled
policy of the State - and all other Gov.
Departments - and this Administration
to parallel all foreign American
air lines. This was said in executive
session.

of course this isn't true - but it has upset
McKellar and Ludlow in the House (he is
chairman of sub. committee on P.O. Appropriations)

Would it be proper to send word to McKellar
(or Jim Byrnes) and to Ludlow that
this is not the Administration's policy -
and that pending your final determina-
tion of that policy, matters should
remain in statu quo?

{ Export Air Lines is so active in every quarter
that this whole situation may blow out
unless you take some action.

THE WHITE HOUSE
WASHINGTON

January 21, 1941

MEMORANDUM FOR

DOC O'CONNOR

For your information.

F. D. R./tab

Enclosure

Copy of attached.

Lib
BF Amer. Export
personal
confidential
1/17/41 3

DEPARTMENT OF STATE
WASHINGTON

January 17, 1941

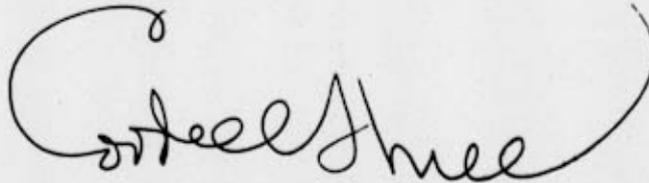
My dear Mr. President:

In reply to the inquiry contained in your memorandum of January 16, I am informed by Mr. Burke that he appeared on Thursday, September 26, 1940 before a Senate Subcommittee on Appropriations and placed in the record a statement of the Department's policy regarding international aviation. A copy of this statement is enclosed herewith. Again on Friday, January 10, last he made an identical statement before a House Subcommittee on Appropriations. He states to me that on neither occasion, either directly or indirectly, was any reference made by him to the question of paralleling existing services.

Believe me

Faithfully yours,

Enclosure:
Copy of statement.



The President,
The White House.

ADVISABILITY OF AN ADDITIONAL
TRANS-ATLANTIC AIR CARRIER

The question of whether a trans-Atlantic service by an additional air transport carrier should be established involves a number of considerations of primary interest to several departments and agencies of the United States Government. Obviously, since it involves the operation of air transport services between the United States and foreign territory, it is of definite interest to the Department of State from the standpoint of international policy.

NEGOTIATIONS WITH PORTUGUESE GOVERNMENT

The desire of the American Export Airlines to enter Portuguese territory necessarily involved consultation between the other interested Departments and agencies of the Federal establishment, chiefly the Civil Aeronautics Board and the Department of State, The Board having reached the conclusion that such additional service was economically justifiable, it became the duty of the Department of State to take action from the standpoint of foreign policy. The Department, therefore, has directed its efforts toward the reaching of an agreement with the Portuguese Government which would permit the entry of an additional American carrier into Portuguese territory. There is every reason to believe from the reports which we have received from the American Legation at Lisbon that, in the near future, the

legation

legation will succeed in reaching an agreement with the Portuguese Government which will permit of the additional service, while at the same time protecting any contractual rights, other than complete exclusivity, which may have been accorded to Pan American Airways by the Portuguese authorities under the operating contract entered into between the Portuguese Government and the Pan American Airways in 1937.

EXCLUSIVITY PROVISION OF CONTRACT

With regard to the reservation concerning exclusivity, I should like to state that, although the contract in question granted exclusive rights to the Pan American Airways as against any other United States air carriers, a provision known as clause 3 was inserted in the contract at the instance of the Portuguese Government. This clause specifically provided that the exclusive feature of the contract could be removed by an agreement between the Government of the United States and the Government of Portugal whenever by mutual consent such action was deemed to be necessary. The instant case specifically falls within the scope of clause 3.

COMPETITION AMONG DOMESTIC AIR CARRIERS

It may be of interest to this committee to know that, among other important considerations raised herein, the Department of State was and is cognizant of the
frequently

frequently expressed desire of the Congress to encourage legitimate American enterprises to enter into domestic and foreign trade. In the domestic air-transportation field such a principle has been specifically established, as has the principle of competition among domestic air carriers. The fact that the United States has developed the greatest and most efficient air-transport industry in the world seems substantially to justify such a policy.

RECOMMENDATIONS BY STATE DEPARTMENT

Therefore, after careful consideration of the problems peculiar to transoceanic operations, and particularly in view of the fact that it seems reasonable to anticipate intense international rivalry for the establishment of rapid air links between Europe and the Western Hemisphere, it is the considered judgment of the Department that the best interests of this Government would be served through the establishment of a second United States air transport service between this country and Europe.

(Hearings before the Subcommittee of the Committee on Appropriations, United States Senate, 76th Cong., 3d Sess., on H.R. 10539, A Bill making supplemental appropriations for the support of the Government for the fiscal year ending June 30, 1941, and for other purposes, pp. 240,241)

~~file~~
Personal
from Doc Blomrod

For F. D. R.

PSF

Am. Export
Airlines

January 27, 1941.

AMERICAN EXPORT AIRLINES, INC.

If you want to read a story of high finance that makes good old public utility financing sound like running a conservative savings bank, read the attached memorandum as to how American Export Steamship and Aviation Lines were financed through the Government, for the benefit of some Wall Street individuals!

As you know, the same individuals are now seeking more Government money in foreign aviation to enhance their present colossal profits.

This is not propaganda. It is factual information with which you should be acquainted because, on the law of averages, some day it is going to blow up in the public's face.

AMERICAN EXPORT LINES

HISTORICAL NOTES

Prior to 1934 three American shipping companies operated ships to Mediterranean and Black Sea ports, each drawing subsidies from the United States Government for the same service on the same route. In 1924, under the direction of the United States Shipping Board, these companies were consolidated and resulted in "Export Steamship Lines." Mr. Henry Herberman was President, and owned substantially all of its stock.

This Export Steamship Line took over from the U. S. Shipping Board a fleet of 25 cargo vessels. These vessels had been built by the Government at a cost of something over \$42,000,000. As of 1924-25 their listed market value was \$4,826,000. Export got them for \$1,351,000. In 1928 Export secured a mail contract for its route. During 1930-31 it ordered 4 small cargo vessels which also provided limited passenger accommodations. They succeeded in being paid for the operation of these four vessels on the same basis the law provided for ten-thousand-ton vessels, although their four ships were much smaller than this.

As a result of Senator Black's disclosures, Mr. Herberman was forced to dispose of the Export Company which, in the summer of 1934 was turned over to the New York Shipbuilding Company. In November 1934, because of a resolution of the Advisory Committee of the Shipping Board that it was contrary to public interest for a shipbuilding company to control a steamship line receiving financial aid from the Government, the New York Shipbuilding Company had to divest itself of its Export Line stock.

This brings the picture up to the point where American Export Lines, Inc. actually starts.

New York Shipbuilding Company disposed of the Export Line to a syndicate which was "formed to take the shipping company off their hands." The control of the Export Steamship Line was then acquired in this manner:

A holding company was formed by the syndicate, which holding company issued one thousand shares of stock. It borrowed \$190,000 from banks, put up its own promissory notes for another \$580,000, and raised an additional \$500,600 by additional notes, distributed to syndicate members, in 100 units, composed of one \$5,000 note and 6 shares of stock, for a total of \$5,006 per unit.

This thus disposed of 600 of the holding company's original 1,000 shares. The remaining 400 shares went to Lehman Brothers in payment for their management of the syndicate. Lehman Brothers later sold W. H. Coverdale, for one dollar a share, 165 shares of their own 400 shares. For this promissory total of approximately \$1,200,000 the holding company acquired substantially all of the stock and certificates of participation in a second mortgage on the steamships of the Export Line.

The out-of-pocket investment in the holding company was \$600, represented by the 600 shares of stock issued in conjunction with the sale of the notes. The steamship company, thus acquired, continued to receive an annual subsidy of approximately \$1,500,000. The new management was evidently efficient. It overcame the wastes - and worse - of the Herberman regime. And, by May 1936 - only one year after the financial operations above described - the operations of the steamship company had been so profitable that it paid off its entire second mortgage. This payment (to the holding company) enabled the holding company to pay off its bank loan, its own promissory notes, and all the notes held by the syndicate. By August 1936, when all promissory notes had been canceled and the holding company, through earnings from the steamship company, had paid off the 2nd mortgage, the syndicate, of course, owned complete control with its original cash investment of \$600.

At this time - in the fall of 1936 and when everything was in the clear - a new company was finally formed, the present American Export Lines, Inc. This new company issued 400 shares of its stock in exchange for each share of stock of the holding company. (In terms of Mr. Coverdale's original investment of \$165, for instance, his 165 shares of stock now represented \$66,000 par value.)

During 1936 and 1937 American Export Lines, Inc. received approximately \$1,500,000 each year in mail and subsidy payments. Its net income, after taxes, was \$708,000 in 1936, \$1,059,000 in 1937. This represented returns of 25% and 50% respectively for these years on the net worth shown in the company's balance sheet - and a return of 70,800% and 105,900% respectively on the amount actually paid by the new owners for their stock. (This computation credits Lehman Brothers with a cash investment of \$400 for their 400 shares, which credit the records do not show.) During the last four months of 1936, \$440,000 in dividends were paid on the stock and an additional \$750,000 in dividends were declared during 1937. In other words, the new ownership, which had already been repaid its entire investment, except for its \$600 in stock, received in this period \$1,190,000 in dividends - equivalent to almost half of the amount the Government subsidies paid the company during these two years.

The Merchant Marine Act of 1936 caused a reduction in American Export's subsidy payments from \$1,500,000 per year to approximately \$1,200,000 per year. It also required that annual net profits above 10%, based on the amount of equity capital invested in the steamship company, should be held in a special reserve fund, half of which would ultimately go to the Government. This, in effect, limited profits to 10% plus.

At this point American Export Airlines begins to take form. Now, under the steamship company's contract with the Maritime Com-

mission they were obliged to undertake a construction project to replace their outmoded fleet with a new fleet of vessels which would cost approximately \$20,000,000. Under the terms of the Maritime Act the Government, through subsidy, agreed to put up \$15,000,000 of this amount, loaned them another \$2,500,000 at low interest rates for twenty years and then required the company, over a period of five years, to put up the other \$2,500,000. Subsidies of \$1,200,000 plus per year should help them get this together. That took care of their steamship business pretty well and left considerable earning power with which to finance subsidiary enterprises.

The subsidy contract with the Maritime Commission, however, required that the Company would not directly or indirectly embark on any new enterprise or business activity not directly connected with the business of shipping on the route for which they held a monopoly of American shipping rights and for operation under which they were being subsidized by the Government. For reasons - undisclosed in the records - the Maritime Commission ultimately consented to the steamship company's organization of a subsidiary for aviation purposes. It prohibited them, however, from using steamship earnings for this purpose, requiring that any financial aid given the subsidiary should be obtained by a separate stock issue designated for that purpose. This rather unusual compromise, while requiring the steamship company to continue to hold its own cash, still permitted the company to use its earning power, based on the Government's maritime subsidy, as a basis for raising funds for its aeronautical enterprises. Thus the public was sold stock in the steamship company but the money went into the airline company.

The available records show that all the money so far put up for the airline has come from this source. In the fall of 1938 American Export Lines, Inc., put out a new stock issue. Some indication of the profits of the venture is given by the fact that while the 400,000 shares previously outstanding represented a cash cost to the owners of 1/4¢ a share, 68,000 new shares of stock were sold publicly at \$10.50 a share and 12,000 shares privately at \$9.00 a share. The underwriters' commission on the stock sold to the public was something over 14% - or \$1.50 per share. Other expenses of the issue amounted to some \$46,000.

Of the amount raised by this sale of the steamship company's stock, on the basis of its subsidy and other earnings, the steamship company advanced approximately \$500,000 to the airline, in exchange for all of the airline company's 480,000 shares of stock. The steamship company then declared 30% of this stock as a dividend to its stockholders. That left the promoters with 80% control of the steamship company and 70% of the airline company - for that original \$600.

One of the financial journals in the latter part of De-

ember 1940 published the following statement as to the present earning position of American Export Lines:

Net Profit: After charges and Federal income taxes, but before adjustments as provided in the Merchant Marine Act:

	<u>1940</u>	<u>1939</u>
9 mos. to Sept. 30 -----	\$5,894,955	\$216,631
Times pfd. divs. -----	235.80	-
Earn., pfd. share -----	589.50	-
Earn., com. share -----	12.23	0.45
No. 5% pfd. shs. -----	10,000	-
No. of com. shs. -----	480,000	480,000

Dividends: Com. \$0.25 Dec. 17, 1940.

Estimated Earnings: Earnings of American Export Lines, Inc., for the final quarter of 1940 are estimated to be fully as good as those of the last quarter of 1939, which amounted to \$1,241,994, although the management stated that "in such unsettled times, it is difficult to make any estimate of future earnings."

F.D.R.

PSF

2/2/41. ^{Amer Export}

I see from the attached ^{file}
that your friends in ^{personal}
Export Airlines have
enlisted your name.
Arthur Crock in their
propaganda!

Doc.

P.S. Maybe Joe Kennedy
is in this picture
somewhere!

JANUARY 30, 1941.

In The Nation

The Fight for Atlantic Clipper Competition

By ARTHUR KROCK

WASHINGTON, Jan. 29.—When after exhaustive hearings the Civil Aeronautics Board—with the President's approval—granted to American Export Airlines last July two certificates to operate across the Atlantic, the new company confidently approached Congress for the necessary appropriation. But the appropriation was denied on the ground of economy, and now American Export Airlines is seeking it again with another uphill battle in prospect.

The economy ground was furnished by American Export's intended rival, Pan American Airways, pioneer in the transocean flying business. This company enjoys a monopoly of the trade and hopes to keep it. Pan American made an expertly timed offer to handle three more frequencies per week at Lisbon, this providing six westward

The appropriation committees thought otherwise last Summer. Now American Export has renewed its appeal to Congress to live up to its own direction in Section 2 of the act. It has made an even stronger case than before. The Navy, represented by Admiral Towers, chief of the Bureau of Aeronautics, and the CAB, represented by Mrs. Miller, chief of the Foreign Air Carrier Section, are warmly in favor of the appropriation for American Export.

The new company got permission from the Maritime Commission in 1937 to engage in air transport. Up to that time, under the name of American Export Lines, it was exclusively in the shipping trade. More than \$3 millions have since been spent in financing the subsidiary air transport line, which has a \$2 million equipment program. It is now building three four-engined Vought-Sikorsky flying boats, each of which can carry sixteen passengers and a large amount of mail and express non-stop across the Atlantic. American Export seeks to put immediately into service a two-engine flying boat, similar to the Navy's PBY bomber, which is highly endorsed by Admiral Towers. This would be used until the Autumn of 1941.

Experience has proved that large passenger and mail loads cannot both be carried on the clippers at the same time. The result is that now there are often 100 persons on the waiting list at Lisbon. Also the government's need for a steady and ample volume of mail service to and from Europe has grown greater with the events of the war. Of course, this is merely an argument for more frequencies—more weekly trips—and it is as good an argument for Pan American's request as American Export's. So the issue narrows down to this: Is the probable value to defense of competition in transocean air transport worth the extra money it will cost? And should Pan American's

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The economy ground was furnished by American Export's intended rival, Pan American Airways, pioneer in the transocean flying business. This company enjoys a monopoly of the trade and hopes to keep it. Pan American made an expertly timed offer to handle three more frequencies per week at Lisbon, this providing six westward trips a week, with a sliding scale of rates which would involve about \$1,200,000 less cost to the government than if the American Export company gets its subsidy for two new frequencies. The Pan American's backlog of frequencies already authorized made this offer possible.

But to deny the appropriation again would fix the monopoly of Pan American in this trade, and that is the crux of the present issue. In Section 2 of the Civil Aeronautics Act Congress directed the CAB to take into consideration as an element of public interest the need for competition so that there might be established an air transportation system which would meet the requirements of domestic and foreign commerce, postal service and national defense. The CAB in giving the certificates to American Export said: "Economic regulation alone may not be relied on to take the place of the stimulus which competition provides to the advancement of technique and service in air transportation. . . . We are unable to agree that the advantage in cost to the government which the service proposed by intervenor [the Pan American] would have over that proposed by applicant [American Export] can be accorded controlling significance on the issue of public convenience and necessity in this case."

The appropriation committee thought otherwise last Summer. Now American Export has renewed its appeal to Congress to live up to its own direction in Section 2 of the act. It has made an even stronger case than before. The Navy, represented by Admiral Towers, chief of the Bureau of Aeronautics, and the CAB, represented by Mrs. Miller, chief of the Foreign Air Carrier Section, are warmly in favor of the appropriation for American Export.

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The CAB, the Navy and others who favor the application of American Export are sure that competition is worth the extra cost in this instance. It would assure, they say, the training of an additional operations personnel and offer an incentive to the development of new and different operating techniques. On its own behalf American Export asserts that "in all cases except when there was potential competition Pan American Airways bid the maximum amount. There is little in the record," says American Export, "to indicate that where no competition impends the monopoly makes any serious attempt to reduce costs with increasing volume."

If international air transport competition is to exist at all it is called for on the North Atlantic route, which handles 80 per cent of all overseas passenger transport and 63 per cent of our foreign mail. American Export is the only Pan American competitor which has qualified with the CAB for so extended an operation. The applicant contends that if it should now be rejected, no other rival will appear, which seems likely. But the obstacles are the foothold, the excellent service and the shrewd management of Pan American, plus the desire of the House committee to make any savings it can

1
See
attached

Committee on Appropriations
House of Representatives
Washington, D. C.

Feb. 8, 1941.

My Dear Mr. President,

Your note of February 6th concerning the Post-Office subsidy for the American Export Line to Lisbon has been received. I find upon inquiry that the matter was up last session of Congress and was not acted upon favorably by this Committee or the Committee on Appropriations of the Senate. I have consulted with the Subcommittee which has the item under consideration and find them practically unanimous in their opinions concerning it. I don't know whether I can do anything about it or not at this stage.

With every good wish, I am,

Very cordially yours,

Edward T. Taylor
Chairman.

PSF *Amer Export*
Line

RECEIVED
FEB 10 8 55 AM '41
U.S. HOUSE

Review for

THE WHITE HOUSE
WASHINGTON

PRIVATE

February 6, 1941.

MEMORANDUM FOR

CONGRESSMAN TAYLOR

I do hope the Appropriations Committee can put in the Post Office subsidy for the American Export Line to Lisbon. It is my thought that when peace comes, the Pan-American should have the northern European line and the Export line have the Mediterranean trade. In the meantime, we can well use more equipment in the only connecting link we have with Europe.

F. D. R.

THE WHITE HOUSE
WASHINGTON January 31, 1941

Memorandum For The President.

American Export Airlines

You recently saw John Slater, Vice President of the American Export Airlines and explained to him your idea of government-controlled foreign airline monopolies.

The recommendation of the Post Office for an appropriation to American Export to fly to Lisbon (and, when peace comes, to the Mediterranean) is now before an Appropriations subcommittee in the House. American Export has spent millions of dollars developing this Line. Nonetheless the subcommittee will report to the Appropriations Committee that Export should get no subsidy.

American Export officials are convinced that once again Juan Trippe's lobby has blocked them. Last session you sent word to Jimmy Byres you wanted American Export to have this subsidy. But the Senate refused.

It is generally believed by Harllee Branch, Frank Walker, and the interested officials in the State Department that Trippe is blocking this. Trippe is now persona non grata with every executive agency, particularly the Budget Bureau, but still seems to get his way.

Trippe has also taken your American Export decision of last year to court. CAB is arguing the courts have no right to interfere with your decisions on foreign affairs. Yet Trippe's lawyers are fighting this point of view tooth and nail.

Sam Rayburn says unless you send word to the Appropriations Committee, this appropriation will be defeated and American Export will collapse. This will leave Pan American as a virtual world monopoly and your plan for government-controlled airlines to foreign countries would also end. Your word must be strong and emphatic.

If you wish to send word to the Appropriations Committee the deadline is probably Tuesday, February fourth.

Do you want to send word again? (If you did so already, it was not sufficiently clear.)

JHR
James Rowe, Jr.

BF
February 11, 1941

AMERICAN EXPORT AIRLINES

Here is another example of tactics Burke and American Export Airlines are using:

In Burke's recent statement to the Senate Committee you will recall that he said:

"There is every reason to believe from the reports which we have received in the American Legation at Lisbon that, in the near future, the Legation will succeed in reaching an agreement with the Portuguese Government which will permit of the additional service, while at the same time protecting any contractual rights - other than complete exclusivity - which may have been accorded to Pan-American Airways by the Portuguese Authorities under the operating contract entered into between the Portuguese Government and the Pan-American Airways in 1937.

Attached hereto is a copy of a letter from Pan-American to Civil Aeronautics Authority, dated February 9, 1939 - two years ago - in which Pan-American made the following definite offer to waive its exclusivity in Portugal, as you will see from the last sentence of the letter:

"If the Civil Aeronautics Authority will confirm our understanding that it is now of the opinion that it would be in the interest of American aviation that Clause 3 of the agreement of this Company with the Portuguese Government be waived, our Company will advise that Government promptly that it waives such Clause 3 in its entirety.

To date Pan-American has not been asked to waive that provision!

COPY

*file
personal
O'Connor*

RECEIVED
O'CONNOR & FARBER
120 E. 42ND ST. N.Y.

1941 JAN 31 PM 5:20
February 9, 1939

Civil Aeronautics Authority
Washington, D. C.

Gentlemen:

As you are aware, Pan American Airways has been actively engaged in development work looking toward the organization and operation of trans-Atlantic air transport services since 1930. Prior to 1930, a French Company, Societe General d'Aviation, through a subsidiary organized in Portugal, had obtained a monopoly of flying and landing rights in the Azores. Prompt action appeared necessary if American aviation was to have a reasonable share in the eventual operation of trans-Atlantic service.

To this end, Pan American Airways reached an agreement with Imperial Airways, Ltd., and with the French company mentioned above, as a result of which there would have been made available to the aircraft of these companies landing and flying rights in the Azores on which the monopoly was held by the subsidiary of the French company. Under this agreement Pan American Airways was to operate one-half the total services.

Shortly thereafter, the Portuguese Government cancelled the monopoly concession in the Azores, due to failure on the part of the Portuguese subsidiary to conduct certain operations required in the monopoly concession. Pan American Airways then entered into new discussions with Imperial Airways, Ltd. Due to the traditional relations between Great Britain and Portugal, that company occupied a strong position in Portugal.

Both Imperial Airways and Pan American Airways undertook direct negotiations to acquire commercial landing and flying rights in the Azores and in Lisbon. After years of effort including work on alternate routes, generally identical agreements were concluded with both companies by the Portuguese Government. During this entire period no other American interests had taken any steps, or, to our knowledge, even made any plans, looking toward the development of an American trans-Atlantic air service.

Included in the agreement between the Portuguese Government and Imperial Airways, Ltd., is a clause to the effect that the Portuguese Government will not for fifteen years grant to any British company other than Imperial Airways the right to land in the Azores and Lisbon for the purpose of conducting trans-Atlantic service. The corresponding clause 3 in the agreement with Pan American Airways states that during the same period no such rights will be granted to any American company other than Pan American Airways.

This agreement was concluded by Pan American Airways long before the enactment of the Civil Aeronautics Act of 1938, and, as above stated, before any other American company had indicated any interest in developing a similar service.

Irrespective of Clause 3, referred to above, the agreement granted the Company for twenty-five years the right to land at the Azores and Lisbon in trans-Atlantic service. No limitation on frequencies was imposed, nor was reciprocity involved. Other important provisions relate to advantageous duty exemptions and tax limitations. Obviously, the agreement was valuable not only to our Company but to American aviation and our foreign commerce as well. It justified the Company in proceeding actively with its trans-Atlantic plans and in pushing the aircraft procurement program including the new Boeing super-Clipper flying boats now being delivered. Today, as a result, the United States is a leader in trans-Atlantic service.

Recently, we have been advised that the Civil Aeronautics Authority is now of the opinion that it would be in the interest of American aviation if any American company, planning to operate trans-Atlantic services, were in a position to secure a permit from the Portuguese Government to land in the Azores and Portugal, as intermediate ports of call.

In view of this assumption and of the changed legislative position since Pan American Airways concluded its present agreement with the Portuguese Government, our Company is willing to take the following action. If the Civil Aeronautics Authority will confirm our understanding that it is now of the opinion that it would be in the interest of American aviation that Clause 3 of the agreement of this Company with the Portuguese Government be waived, our Company will advise that Government promptly that it waives such Clause 3 in its entirety.

Respectfully,

J. T. Trippe
President

/

PSF American Support
Fund folder

I thought you would want this memorandum back for
your files - we have kept a copy here. 3-41

Frances Kelly
Mr. Minton's office

3/13

file
personal

THE WHITE HOUSE
WASHINGTON

March 1, 1941

Memorandum For The President.

Pan American - American Export

Despite your memorandum to the House Appropriations Committee that you wanted the American Export Airlines to get the subsidy included in the Post Office appropriations bill, the House Committee rejected the item.

Starting Monday hearings will be held by the Senate Appropriations Committee on this item.

This is the last chance for American Export. If they do not get it this time they are washed up and four million dollars will have been wasted.

This will leave Pan American with a world monopoly, and will have the practical effect of frustrating your idea of limited competition by American companies on the world airways. (I understand Frank Walker is working on the general problem now). During the last session of Congress, you sent word to Jimmie Byrnes you wanted this appropriation. Byrnes replied he could not get it for political reasons (the campaign) but could get it next time.

Every interested government department has recommended time and time again that this appropriation be granted. The Civil Aeronautics Board studied the problem for a year. The State, War, Navy and Post Office Departments have appeared before committees urgently requesting the appropriation. By your action in approving the decision of the CAB, the budget estimates and the memoranda you have sent, you are definitely in favor of this appropriation.

Yet it is always blocked and the answer is very simple - Juan Trippe. He is rapidly becoming persona non grata with all the agencies which must deal with him, particularly the Budget. Nonetheless his lobby will be successful, operating through Millard Tydings, unless you indicate firmly you want the appropriation. This is the last chance.

Incidentally Thurman Arnold, I have been told, has an excellent anti-trust suit against Pan American, and I can't understand why it has not been held.

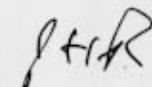
I have two recommendations:

(1) You personally talk to Juan Trippe and tell him the government is sick of his maneuvers. (If you do not know of his Nazi connections in South America, I think your State Department should tell you).

Take
Dear Harry
Will you
humble thing?
quick
HDP

(2) Ask Sherman Minton to make a personal effort in the Senate to make sure this appropriation goes through.

Otherwise Juan Trippe will be left alone in the aeronautics field and in foreign relations with South America and will be more powerful than the government of the United States. I use these words advisedly.


James Rowe, Jr.