



A I R C O M M E R C E

PAN AM WORLD AIRLINES, INC

AFTER at least nine months of discussions the directors of PanAm and TWA have now agreed on the terms of a merger. Although everyone in the American air transport industry, including the CAB, seems agreed that PanAm and TWA must do some sort of deal to counter the growing commercial threat from foreign airlines, full implementation of the merger could still be as much as two years away and it might be very different from the proposals now being put to the shareholders, the CAB, and—in due course—to the President.

Under the present proposal, Pan American World Airways Inc will become a holding company with 11.34m shares (exchanged on a 1:1.7 ratio for 6.67m of its own shares) in a new operating company to be known as Pan Am World Airlines, Inc. The new company will have a total of 18m shares, the remaining 6.66m of these being exchanged on an equal basis for TWA's outstanding stock. In addition, the holding company will receive 150,000 shares of \$100 par value convertible stock in the operating company and retain its other assets including \$6.5m cash, 463,988 shares in National Airlines and certain interests in the PanAm building over Grand Central Station, New York.

The new operating company will take over the fleets and routes of PanAm and TWA, and after Aeroflot it will become the world's largest airline measured by any standard. Pan Am World Airlines would be even larger than the proposed American-Eastern combine. The combined fleet would number nearly 300 aircraft, including more than 130 big jets, and cover a route structure of about 80,000 miles after elimination of present duplications.

Apart from the CAB and President Kennedy, approval for the merger must be given by the shareholders, and one big unknown factor here is the position of Howard Hughes, who through his wholly owned company Hughes Tool owns 78 per cent of TWA. Mr Hughes' position is further complicated by the litigation in progress between Hughes Tool and TWA's financiers. The financiers are claiming \$115m from Hughes Tool for interfering in the management of TWA and Hughes Tool is counter-claiming for \$366m on a reciprocal charge. However, whatever the outcome, TWA stands to gain out of the action because both sides want the damages to be paid to TWA. The actual PAA and TWA merger terms provide for suitable adjustments if the net worth of TWA is raised by more than \$10m as a result of litigation.

CAB reaction to the proposed merger cannot be forecast, but as guardians of the anti-trust laws they will doubtless be more

than a little worried that even an American airline might grow so large that it would handle 22 per cent of the entire international airline passenger-miles outside the Soviet bloc. US domestic trunk carriers are certain to object strongly to the merger because of the effect it will have on their competitive position. By inheriting TWA's extensive domestic network, Pan Am World Airlines would be in a strong position to take nearly all the feederline traffic for international flights. Last March, a CAB staff study recommended a solution to the US international airline problem by dividing the routes of PanAm and TWA in such a way as to avoid competition between the two carriers, but leaving them under separate management. PanAm disliked the plan and TWA showed mild enthusiasm.

However, unlike the American-Eastern merger, which seems likely to founder under a CAB examiner's disapproval, the Pan-Am-TWA deal has one very big point in its favour from the official point view. It has been calculated that the US adverse balance of payments resulting from foreign airline transport paid for in dollars is currently about £90m a year. This merger, through providing a more efficient, wider, and better service, would bring a significant reduction in the drain on US stocks of gold.

SOVIET BID FOR ROUTE TO CUBA

IN a Foreign Office note sent to the Russian Embassy in London on December 28, the British Government refused permission for an Aeroflot Il-18 to refuel at Prestwick Airport *en route* for Cuba. The note is reported to have said that facilities in Britain would be given if British aircraft were allowed beyond Moscow on the great circle route to the Far East—though according to BOAC, these rights have not been sought for some years.

A Foreign Office spokesman said there have been so many Russian requests for refuelling facilities at Prestwick that it has almost become scheduled. Two days later *Pravda* reported that a Tu-114 had flown nonstop from Havana to Moscow in just under 4hr. According to reports, just before Christmas this aircraft flew almost to the limits of its range on the nonstop outward journey to Cuba, overflying Murmansk and Iceland on the way. Mr Y. Bashchinov, deputy director of Aeroflot, says the way is now open for a weekly service between Moscow and Havana.

CARVAIR CRASH AT ROTTERDAM

WHILST performing the regular car-ferry service between Southend and Rotterdam, a Carvair of British United Air Ferries hit a dyke while coming in to land at the snow-covered airport at Rotterdam on December 28. The starboard wing was torn off and the aircraft came to rest upside down. The 14 passengers and three of the crew received only minor injuries but the pilot, Capt J. Tootill, was killed. Although the aircraft was extensively damaged, a number of cars in the fuselage were still securely tied down after the impact.

Since services began in 1948, a *Flight International* inquiry reveals, nearly 2½m passengers and ¾m cars have been carried across the Channel on some 388,000 flights without a single passenger fatality.

Northwest DC-7C Ditching Cause The DC-7C of Northwest that ditched off Alaska in October may have been in exactly the same trouble as a Northwest DC-7C that ditched off Manila in July 1960, according to a CAB report. There was probably a failure of the two-speed blower drive which, incorrectly diagnosed as icing, led to engine failure, propeller runaway and separation, and magnesium gear-casing fire.

THE WEIGH-IN
Comparative sizes in 1961

	PAA	TWA		PanAm World Airlines*		United	BOAC	Air Union*
		int.	dom-estic	int.	dom-estic	total	total	int.
Jet aircraft†	59	75		134		68	81	110
Prop. aircraft	69	89		158		197	39	164
Employees	23,000	21,000		44,000		32,000	21,000	56,000
Route mileage	70,000	50,000		120,000‡		N.A.	N.A.	N.A.
Pass-miles (million)	5,360	905	4,250	6,265	4,250	7,330	2,625	4,749
Passengers (million)	3.39	0.28	4.65	3.67	4.65	10.2	0.84	4.54
Revenues (million)	£164	£30	£100	£194	£100	£195	£92.7	N.A.

* International only in the case of Air Union, and before elimination of duplications in both cases. † In service and on order. ‡ 80,000 miles after eliminating duplication.