



AIR COMMERCE

The BOAC Crisis

BOAC will be told by the Minister of Aviation, asserted the London evening papers on July 8, that they will not be allowed to cancel Super VC10s. No authority for the story—which gathered momentum in the following days—was given, but it was a fair guess that it was inspired by a harassed Government. Mr Amery may well have been embarrassed by two extremities of Sir Giles Guthrie's plan, which is said to have called for the cancellation of all BOAC's 30 Super VC10s, but he must have been shocked that it should have been leaked to the Press. Because this happened more damage than necessary has been caused to the VC10 (assuming that a plan to cancel BOAC's Super VC10 order was necessary) and something had to be done to repair it.

A clumsy effort seems to have been made by somebody to put around a story that Pan American are interested in VC10s with American engines. This was a manoeuvre reminiscent of the very

similar one made early in 1958 when Pan American were stated to be about to buy a huge fleet of the jets that BEA did not want (see page 84). On that occasion Pan American said "we don't like being the meat in the sandwich," as they may well feel now about the *Sunday Times* front-page story on July 12 that "Pan American is understood to be interested in buying British VC10s if it can have them with American engines."

The *Sunday Express* on July 12 wanted to know who leaked the details of the Guthrie plan some three weeks ago with such "appalling consequences" for the VC10, which was described elsewhere as "the aeroplane that even the British don't want." Some of the balance was redressed on BBC TV's *Panorama* last Monday when Mr Freddie Laker of BUA spoke up strongly for the VC10. Mr Amery was expected to tell Parliament today, July 16, about the Guthrie plan and his decision on it.

CALEDONIAN'S ATLANTIC BID

IF Loftleidir Icelandic can do it, asks Caledonian Airways, why can't we? It is a good question, and on July 7, 8 and 9 it was considered by the Air Transport Licensing Board at Therese House, London, with BOAC strenuously objecting. An objection lodged by British Eagle did not materialize.

What Loftleidir do is of course unique: they operate second-class DC-6B scheduled services between Europe and the USA at return fares about 10 per cent below the IATA level. Such irreverence for the IATA fare structure is tolerated only because it is allowed by the American CAB, which is not so worshipful of the IATA fare-fixing machine as are other governments. The CAB regards the Loftleidir service, as it does charters, as a healthy check and balance in an IATA price-dominated market. The Icelandic carrier has to operate the sectors between Iceland and the UK (London and Glasgow) and the Scandinavian capitals at IATA rates; the Iceland-USA sector is sub-IATA, as is Loftleidir's through fare USA-Luxembourg (Europe's free air-transport port which traditionally snubs its nose at the IATA fare structure). Loftleidir have operated these services since 1955, first with DC-4s and since 1962 with ex-PAA DC-6Bs. They have enjoyed load factors in the seventies—78 per cent last year—and have made profits. SAS retaliated last year with an IATA "Loftleidir" fare, though with little success. IATA's low 1963 excursion and economy jet fares have inevitably hit Loftleidir, though to what extent is not yet clear.

Caledonian are after the estimated 12,000 US-bound Loftleidir passengers originating in Glasgow and London. Exact numbers are hard to come by: the figure of 12,000 was obtained by BOAC's advocate, Mr Forrest, from the Ministry of Aviation, although when Caledonian asked the Ministry for the same information they were told, according to Caledonian's advocate, Mr Bebchick, that it was "most confidential." At any rate Caledonian estimated—supporting their case with a remarkably well documented brief—that about a half of their 15,000 passengers (two weekly round trips with 102-seat DC-7Cs at a 70 per cent LF) would be new traffic, with the rest coming about equally from Loftleidir's traffic and from the IATA carriers including BOAC. Diversion from BOAC was estimated by Caledonian to be between 1,000 and 2,000 at the most. Fares would be matched to those of Loftleidir, and London and Glasgow would generate business in the ratio of roughly $\frac{2}{3}$: $\frac{1}{3}$.

All this was the object of keen questioning and probing by Board members throughout the three-day hearing. So formidable were Caledonian's statistical exhibits that one felt—as so often before at

complex hearings—that the exhibits should first have been scrutinized by an expert ATLB staff; it is, for example, up to the Board, not to Caledonian, to answer questions like "will you continue with your charter programme and will you have enough capacity?" However, one was as impressed as always with the ATLB's grasp of essentials, if sometimes a little disconcerted at their naïveté ("what is a CL-44?" one member asked).

Caledonian's advocate was an American, Mr Leonard N. Bebchick, and indeed American accents predominated during the first day when he produced Mr S. S. Colker, an American consulting economist with many years' CAB and air transport experience, and examined him on the massive statistical evidence supporting Caledonian's application. The Board were rather rough with Mr Bebchick at times; when he suggested that Mr Forrest of BOAC was examining Mr Holt of Caledonian on matters about which he had not given evidence, Mr Harvey of the Board snapped: "We have no such rules in England." When Mr Bebchick could not give a straight yes or no to Sir Friston How's question "Would you operate this service at IATA fares?" Sir Friston was heard, even above the ceaseless roar of pneumatic drills outside, to say to Mr Harvey: "He took a long time to say no." The Board was also displeased when Caledonian's chief witness, Mr John de la Haye, could not give evidence on the second day because he had missed a flight connection.

Caledonian's case emphasized that their service would be faster than Loftleidir's—12hr 50min eastbound compared with 19hr 15min via Reykjavik—and that they would, being a Scottish airline, generate Scottish traffic which they suggested had been neglected by BOAC (pronounced "Bowack"). The estimated diversion from BOAC of 1,000-2,000 passengers a year was six per cent of the corporation's growth; this, said Mr Bebchick, could not be regarded as material diversion, and if the Board could not licence a second carrier in this "vast untapped market" they were never going to be able to do it on any route (almost the same words, incidentally, had been used in the same room three years before by Eagle). Loftleidir had caused no chaos, said Mr Bebchick, and though it was flattering to be told that Caledonian's proposed service would do so, it was hard to believe. Mr Harvey observed that "the last people in this room who looked forward to an increase in transatlantic traffic were proved wrong—why aren't you going to be?" Caledonian had no pat answer, though their evidence included a remarkable measure of the immense growth if their low-fare "£60 a seat" DC-7C charter