

NEW SUPPLEMENTAL GROUP UNDER FIRE

The newly-formed group of eight supplementals, Military Air Carrier Assn., has come under attack from two fronts with U.S. Overseas Airlines accusing some of its members of fixing rates and the Independent Airlines Assn., to which seven of the eight carriers belong, challenging its right to exist.

IAA, in a protest filed with CAB, revealed that it has a deficit of over \$95,000 and could easily go into bankruptcy if the seven MACA members left its organization. IAA has set a board meeting for today to attempt to assess its members.

IAA told the Board that approval of the agreement filed by the eight carriers "under the circumstances can result in the bankruptcy of the Independent Airlines Assn. to the detriment of its creditors." In a separate motion asking that it be allowed to represent its members in a CAB proceeding, IAA said it owes general creditors \$95,000. Additional sums, it said, are owed "to furloughed employees of the association in connection with unsatisfied former employee claims."

IAA SAID IT CALLED a meeting for Dec. 15 to arrange assessments but it was cancelled due to lack of a quorum. It said one board member was ill but that three others--Reed Pigman, American Flyers Airlines; Jesse Stallens, Capitol Airways; and John Becher, Modern Air Transport--all members of the new supplemental group, failed to appear. IAA said board members were notified of the new meeting as of Jan. 3 and the three named resigned from the board.

Its debts, IAA said, are "over and above its available assets." The obligations of the association can be met only through contributions based on assessments, IAA said, and it said it needed the seven carriers comprising most of the new group. IAA said it has a cumulative deficit of \$80,000 from prior years and the seven carriers should be responsible for roughly 50% of this debt. Also, IAA said, the carriers also owe the association \$29,000 "for official and unofficial traffic charges."

The U.S. Overseas Airlines' letter accused some carriers in the new group of publishing identical rates. USOA said in a letter to CAB and copy to the Department of Justice that it hopes the qualifying criteria for membership in the new organization "will not include identical rates to be fixed simultaneously between the members for the purpose of capturing a military market." USOA said these were "patent violations of the anti-trust laws" and said the application for approval of the association's charter should be set down by CAB for approval. But a spokesman for the new association denied that there was any rate-fixing involved in similar tariffs published by MACA members and noted that trunklines publish equal rates between one point and another. "When one changes, the others do so," this source said.

THE IAA MOTION also was aimed at a full-blown hearing on the charter but the spokesman for the new group said the delay involved in such a hearing would be "fatal" to MACA. The hearing process would freeze the seven carriers now members of IAA and MACA in IAA, he said. The government should let the carriers form their own association and give them a chance to differentiate between members of the supplemental industry, he added.

IAA accused members of MACA of violating the agreement between IAA and the Military Traffic Management Agency. The seven IAA carriers were alleged by IAA "upon information and belief" to have "been actively seeking to negotiate an air traffic agreement between the Military Air Carrier Assn., Inc. before securing approval from the Board and while still members of IAA" and "in possible violation" of the IAA-MTMA agreement. Spokesman for MACA said, however, the members are willing to defend their records "on any basis."

A hearing is necessary to disclose the "full nature and character" of the group, IAA said and added that approval by the Board would "sanction unfair and destructive competitive practices." In addition to American Flyers, Capitol and Modern, the MACA members are Purdue Aeronautics, Saturn Airways, Trans-International Airlines, World Airways and Overseas National Airways, with only Overseas National not being an IAA member.

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ARMY'S LIFTFAN TESTBED with GE engines and Ryan airframe has been designated VZ-11.