CAB Derelict In Handling Subsidies For Airlines

WASHINGTON, May 25 — Flat charges of dereliction of duty by the Civil Aeronautics Board in handing more than $1 billion of mail and subsidy grants were made before the Senate Appropriations Committee.

In failing to make any audits of these funds or to reduce subsidy allowances in accord with a recent Supreme Court decision, CAB was accused of defying the high tribunal, Congress, the White House and the Post Office Department.

Chairman Chan Gurney's explanation was that Congress had not given him a sufficiently large staff to check on the companies' use or misuse of the $1 billion in Federal grants.

His defense did not satisfy his principal critics, Senators John F. Kennedy of Massachusetts and Harley M. Kilgore of West Virginia. Unless they can force Gurney to furnish long-secret data, they will ask that Congress or the Controller General investigate CAB's alleged carelessness with the taxpayers' money and favoritism to the politically entrenched airlines.

PAN AM SUBSIDIARIES — As the company which receives the major portion of these mail and subsidy grants, Juan T. Trippe's Pan American World Airways and its 61 subsidiaries, which include swanky hotels, golf courses and country clubs, were the principal Kennedy-Kilgore targets.

Kilgore brought out that CAB had given Pan Am and its subsidiary, American Overseas Airlines, $1,750,000 for payment of Federal income taxes in 1946. Although the taxes amounted to less than CAB's contribution, Pan Am simply pocketed the difference.

When Gurney admitted that CAB had made no attempt to recover this undetermined sum, Kilgore demanded that he start immediate action. Gurney was unable to say whether Pan Am had enjoyed similar tax windfalls in the 1946-1953 period, and doubted whether he could verify the suggestion that it had.

COURT FORMULA — Gurney again pleaded lack of personnel for CAB's failure to obey the Supreme Court demand for a fairer and more economical computation of subsidy payments. In that decision, the court held that the profits and losses of the parent companies' numerous subsidiaries, including the hotels and country clubs, must be offset against each other, and the total subsidy figured on the net loss.

But CAB, besides failing to make any audits of these subsidiaries' finances, failed to follow the Supreme Court's formula in presenting a 195 budget of $143,000,000 for these grants. The House reduced this figure by $42,000,000, insisting that CAB base 1955 payments on the Supreme Court's finding. Despite this mandate, which was accompanied by severe criticism, CAB again submitted its original swollen budget to the Senate Appropriations Committee.

Postmaster General Arthur E. Summerfield insists that at least $35,000,000 in unjustified subsidies have been paid out under CAB's apparently illegal and politically insured generosity. Both Truman and Eisenhower, as well as three Congressional Committees, have long insisted on greater economy in this field.

EXPENSE ACCOUNTS — Kilgore also ordered Gurney to furnish the expense accounts of Pan Am's top ten officials. Their salaries, fees and bonuses for 1953 totalled $842,154, but there was no data on their expenses for entertainment and other items, although these deductions help to reduce the amount of their Federal income taxes.

Kilgore made this request after Oswald Ryan, Pan Am's friend on CAB, admitted that he had been entertained lavishly by Wilbur Morrison, Pan Am's vice-president in charge of the South American division. It is Pan Am's alleged monopoly of through flights from New York to South America which led to the Government's recent anti-trust suit against the Trippe organization.

Two other bits of evidence on huge expense accounts piqued the Kennedy-Kilgore curiosity.

SALARIES AND EXPENSES — It developed that W. J. McEvoy, Pan Am vice-president and Washington lobbyist, received only $88,791 in salary for the 1946-1951 period, but he drew $61,682 for expenses. J. Carroll Cone, former Democratic National Committeeman from Arkansas, got $113,500 in salary and $100,453 in expenses. And they do not rank along Pan Am's ten highest-paid executives and entertainers.

When an Atlantic shipping strike threatened to strand Margaret Truman in Europe several years ago, at the former President's request Pan Am placed a special airplane at her disposal. McEvoy handled the mission, and is known in aviation circles as "Margaret's baby sitter."