

THE EVOLUTION AND DOWNFALL OF
CAPITAL AIRLINES

Thesis for the Degree of M. A.
MICHIGAN STATE UNIVERSITY

Robert S. Kurtz
1963

THESIS



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THE EVOLUTION AND DOWNFALL
OF CAPITAL AIRLINES

By

Robert S. Kurtz

AN ABSTRACT OF A THESIS

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

MASTER OF ARTS

Department of Advertising

1963

APPROVED:

A handwritten signature in cursive script, reading "John W. Crawford", is written over a horizontal line.

ABSTRACT

THE EVOLUTION AND DOWNFALL OF CAPITAL AIRLINES

by Robert S. Kurtz

The history of Capital Airlines can be traced back to 1927, when it was known as the Clifford Ball Airline--a pioneer mail carrier in the United States.

Between 1927 and 1961, Capital Airlines grew to become the sixth-largest commercial airline in the world, in terms of passenger revenue. Yet, in 1961, Capital Airlines ceased to exist as a corporate entity, having been absorbed into the vast United Airlines system.

How could a major air carrier come to such an inglorious end? The reasons are many--a route structure that placed it in competition with giants such as American, Eastern, and TWA, yet required it to operate short, unprofitable runs; a lack of suitable equipment to operate within its route pattern, compounded by scheduling and operational difficulties; lack of foresight in purchasing turboprop Viscounts; the financial crises that Viscount brought to bear; internal management unrest, and so on.

It was the intent of this paper to study how these various forces converged to push Capital to the edge of bankruptcy, with special emphasis on the role advertising might have played in slowing down or speeding up this date with destiny.

Source material included various advertising, press,

Robert S. Kurtz

business, and aviation trade publications, several general consumer magazines, Kenyon & Eckhardt, Inc., Capital Airlines, and United Airlines.

Results of the historical analysis of Capital Airlines tended to indicate that: (1) advertising expenditures were consistently inadequate in comparison with other major airlines, (2) advertising was often misdirected due to management pressures, (3) advertising was sometimes an aid in increasing sales, if only temporarily, (4) advertising did not appear to hasten the airline's downfall.

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TABLE OF CONTENTS

	Page
LIST OF TABLES	iii
LIST OF ILLUSTRATIONS	iv
 Chapter	
I. INTRODUCTION	1
II. THE FORMATIVE YEARS: 1927-1945	3
III. A POST-WAR DREAM EVAPORATES: 1946-1947	14
IV. A KEY YEAR AT CAPITAL AIRLINES: 1948	27
V. A PERIOD OF RELATIVE PROSPERITY: 1949-1953	43
VI. CRISIS AND A NEW CONCEPT: 1954	88
VII. THE YEAR OF THE VISCOUNT: 1955	110
VIII. THE IMPACT THAT NEVER CAME: 1956	120
IX. THE VISCOUNT BUBBLE BURSTS: 1957	129
X. NEW ADVERTISING AND OLD PROBLEMS: 1958	138
XI. ENTER ELECTRA AND PURE JETS: 1959	154
XII. A DATE WITH DESTINY: 1960-1961	175
XIII. ANALYZING THE COLLAPSE OF CAPITAL	204
APPENDIX	215
BIBLIOGRAPHY	219

LIST OF TABLES

Table	Page
1. Financial Status of Capital Airlines, 1940-1959	216
2. Passenger Statistics for Capital Airlines, 1940-1959	217
3. Competitive Advertising Expenditures of the Seven Leading Domestic Airlines, 1951 <u>y.</u> 1956	218

LIST OF ILLUSTRATIONS

Plate	Page
I.	11
II.	12
III.	17
IV.	40
V.	62
VI.	66
VII.	68
VIII.	69
IX.	75
X.	102
XI.	106
XII.	118
XIII.	119
XIV.	146
XV.	148
XVI.	150
XVII.	152
XVIII.	160
XIX.	161
XX.	162
XXI.	167
XXII.	168

Plate	Page
XXIII.	170
XXIV.	171
XXV.	174
XXVI.	177
XXVII.	178
XXVIII.	194
XXIX.	196
XXX.	197
XXXI.	199
XXXII.	203

CHAPTER I

INTRODUCTION

April 27, 1927 is a date of more than passing interest in the history of commercial aviation. For on this day Capital Airlines was born. The maiden flight was made in a tiny Waco biplane. The airport was a cow pasture in Pittsburgh known as Bettis Field.

June 1, 1931 marks another historic day in the airline industry. It signaled the end of an era--the day Capital Airlines ceased being a corporate entity, its image lost forever by assimilation into the vast United Air Lines complex.

The thirty-four years, one month, and ten days spanning these two dates are the subject of this paper. In a little over three decades, Capital had grown from an experimental mail-hauling operation to fifth largest passenger-hauling domestic trunk line. And while it was growing, Capital was also earning a reputation as pioneer, innovator, and pacesetter in commercial aviation.

Unfortunately for Capital Airlines, its image was not a true reflection of its strength. The carrier was, foremost, a victim of the route structure it had built for itself over the years. This, combined with inordinate competitive pres-

asures placed on it by the Civil Aeronautics Board, the carrier's own management policy, and the nature of a rapidly expanding air transportation industry, brought Capital to the brink of financial disaster more than once. The last trip to the precipice was irreversible, and forced to choose between merger or collapse, the airline chose the former.

This paper is about advertising, and the role it played in the growth and decline of Capital Airlines. But because advertising is just one small part of the total marketing strategy, and because marketing strategy is but one phase of the Capital Airlines story, the role of advertising will be discussed only as one of many factors which may have contributed to the demise of the carrier.

Emphasis is placed on the post World War II era, thus paralleling the period of rapid growth not only of Capital, but of the entire air travel industry.

Material for the study was drawn largely from trade publications dealing with advertising, marketing, and the airline industry. Other sources included Capital Airlines annual reports, the airline itself, and its last advertising agency--Kenyon & Eckhardt, Inc.

CHAPTER II

THE FORMATIVE YEARS: 1927-1945

The Clifford Ball Airline

The names Clifford Ball and Merl Moltrup are not likely to be found in any aviation hall of fame, but perhaps they should be. Moltrup was the man at the controls that spring day in 1927 when the forerunner of Capital Airlines made its initial flight. Clifford Ball was the owner of the Waco bi-plane that Moltrup was about to gun down the crude runway and into aviation history.

Until that April day, Ball had been merely the controlling interest in Pittsburgh's Bettis Field. The small, cloth-covered biplane Merl Moltrup piloted was one of seven Wacos accepted by Ball in lieu of unpaid storage charges, and having no better use for them, he decided to plunge into the untapped, unproven field of mail-hauling by snaring the first government contract ever awarded to fly mail.¹ It must be remembered that in 1927 carrying the mail was not a sideline, but was the only tangible source of income in the absence of a passenger travel market. Paying passengers were in fact unwanted, and as a Capital Airlines press release pointed

¹"Problems of Short-Haul Service," Business Week, July 3, 1954, p. 44.

out, they were regarded "as so many fool adventurers that were excess baggage."¹

The Clifford Ball Airline did not enjoy the fruits of technology that are so taken for granted today. Its sole route, a hop of 127 miles between Pittsburgh and Cleveland, was totally without navigational aids or radio communications. During the day pilots literally would follow railroad tracks to their destinations, and at night the glow from Youngstown steel mills served as their homing beacon.

Weather often played havoc with the mail schedules, and the decision whether or not to fly usually was determined by a phone call to the city ahead. And though the Pittsburgh-Cleveland route was dubbed "Path of the Eagle," it was anything but a straight-line course, since the frail aircraft then in use were forced to detour around bad weather.

Despite the obstacles, Ball kept his neophyte airline going until 1929, when his interests were absorbed by the Pittsburgh Aviation Industries Corporation, an organization headed by three men who were to shape the future of Capital Airlines: C. Bedell Monro, George R. Hann, and Fredrick Crawford.² Clifford Ball exited, apparently without ever realizing what he had helped create.

¹Capital Airlines, "Biography of a Pioneer--The Story of an Airline," A Public Relations Department press release, No date, p. 2. (Mimeographed.)

²Ibid., pp. 1, 2.

PCA: An Unlikely Marriage That Worked

One of the first moves made by the new owners of the Clifford Ball Airline was the addition of cabin planes to the fleet, a brilliant piece of strategy destined to increase the role of passenger revenue as a source of income.¹ The next step, in 1930, saw Pittsburgh Aviation Industries Corporation acquire control of Pennsylvania Airlines and add Washington to its Pittsburgh-Cleveland route.²

Somehow, the carrier now bearing the name Pennsylvania Airlines continued to grow, despite the fact that "airplanes were still looked upon as an oddity misplaced from the dog-fights of World War I."³ But it took an incident in 1934 to shake all of the contented mail-haulers into reality. In that year the federal government canceled all airmail contracts with private carriers, thus stripping them of their principal source of income. Faced with disaster, the airlines had no choice but to start hauling people instead of mail, and though the mail contracts were restored several months later, they were in the passenger business to stay.⁴

Any advantage Pennsylvania Airlines might have held by the addition of cabin aircraft several years earlier was quickly dissipated as the airline industry phased out the

¹Robert B. McIntyre, "Why Capital Airlines Will Use 20% More Ads," Editor and Publisher, April 10, 1954, p. 22.

²Capital Airlines press release, "Biography . . . ," p. 2.

³Ibid.

⁴McIntyre, Editor and Publisher, April 10, 1954, p. 22.

wooden, cloth-covered, open-cockpit Waco and introduced the metal, two-passenger, closed-cabin Fairchild FC-2, and later, the ten- and twelve-passenger Ford Tri-Motor.¹

Pennsylvania Airlines joined in the equipment race, but soon discovered it was no longer alone in the skies over eastern United States. An upstart named Central Airlines bid for the mail routes Pennsylvania had flown prior to their cancellation by the government, and when the routes were restored they were awarded to Central, precipitating one of the fiercest competitive wars in aviation history.

Pennsylvania scored an early victory by acquiring Kohler Aviation Corporation and its routes from Milwaukee to Grand Rapids and Detroit. Central countered by purchasing a fleet of Ford Tri-Motors to replace its Stinsons, but had barely put them into service when Pennsylvania introduced an entire new fleet of fast, twin-engine Boeings. As the war of escalation grew more intense, Central had no choice but to bring in newer-version Stinsons and, just to be on the safe side, slash its passenger rates.²

But equipment and fares turned out to be just minor factors in the struggle for supremacy between Pennsylvania and Central, for the two airlines also happened to fly very nearly identical routes with very nearly identical timetables

¹Capital Airlines press release, "Biography . . . ," pp. 2, 3.

²Ibid., p. 3.

in, as one writer put it, "a race toward bankruptcy."¹ At times the feud took on the flavor of a Mack Sennett Comedy, as the first plane to reach a terminal would "hijack" all the passengers, leaving no one for the competition.² But the two airlines involved were not amused, and the all-out war ended in the only way possible for the survival of both combatants--Pennsylvania and Central merging in 1936 to become Pennsylvania-Central Airlines. C. Bedell Monroe, a founder of Pittsburgh Aviation Industries Corporation and president of Pennsylvania Airlines, was named president of PCA. James H. Carmichael, Central Airlines' chief pilot, was named to a similar position in the PCA structure.³

The years leading up to World War II saw PCA transformed from a three-city operation into a far-reaching network of air routes, but with its nucleus still situated around the Washington-Pittsburgh-Detroit triangle. In 1937, Charleston, West Virginia, was added to the Pittsburgh terminus, and routes to Baltimore, Buffalo, Harrisburg, and Williamsport were added to the Washington station. Chicago became a western terminal in the same year, and a new route was established in northern Michigan.⁴

¹ Wesley Price, "He Wants To Make Money on an Airline," Saturday Evening Post, September 3, 1949, p. 23.

² Capital Airlines press release, "Biography . . . ," p. 3.

³ Price, Saturday Evening Post, September 3, 1949, p. 23.

⁴ Capital Airlines press release, "Biography . . . ," p. 4.

PCA was hard put to keep its market expansion program from outstripping equipment requirements. The fleet was bolstered first in 1937 by the integration of twin-engine Boeing 247-D's--prototype of the famed B-17 Flying Fortress. Attainment of an annual passenger volume of 125,000 in 1939 brought about the introduction of the now-legendary "work horse of world-wide air transportation"--the Douglas DC-3.¹ By 1940, the PCA fleet numbered six 21-passenger DC-3's and fourteen 10-passenger Boeing 247-D's.²

Another indicator of PCA's phenomenal pre-war growth is the company's employment figures. During the period 1938-1940, PCA's personnel roster swelled from 293 to 698.³

Expansion continued through 1941, as PCA made its first major penetration into southern markets, with routes opened up from Norfolk to Knoxville, and from Pittsburgh to Chattanooga and Birmingham.⁴

World War II not only brought PCA's expansion activities to an abrupt halt, it reversed them in a sense, the carrier becoming the first commercial airline to turn over its aircraft to the military, and then opening a school at Roanoke, Virginia to train army and navy pilots.⁵ Yet, with only the

¹Ibid.

²Pennsylvania-Central Airlines Corporation, Annual Report: 1940, p. 8.

³Ibid., p. 12.

⁴Capital Airlines press release, "Biography . . . ," p. 4.

⁵Ibid.

seven planes it retained to continue servicing its routes, PCA set company records for cargo and passenger traffic during the war years.¹ And, by operating in the black every year since 1939, PCA managed to build up a surplus of more than \$1 million by the end of 1945.²

Advertising Emerges

The advertising history of Pennsylvania-Central Airlines has a rather sketchy beginning, owing largely to an apparent lack of expenditures for this purpose. Records show that prior to the merger, Central Airlines had bought more than three times as much newspaper space in 1936 as Pennsylvania (22,814 lines v. 6,626 lines), with their advertising overlapping in four markets--Akron, Detroit, Pittsburgh, and Washington, D.C. After the merger, PCA used a total of only 6,470 lines in 1936, divided about equally among dailies in Cleveland, Detroit, Milwaukee, Pittsburgh, and Washington, D.C.³ PCA didn't even bother to reveal its advertising expenditure to stockholders until 1940, when it showed up in the annual report as a combined figure for "Advertising and Selling" of \$241,840.⁴

¹Ibid.

²Business Week, July 3, 1954, p. 46.

³Media Records: Newspapers and Newspaper Advertisers (New York: Media Records, Inc., 1936), p. 262.

⁴PCA, Annual Report: 1940, p. 19.

The carrier's agency relationships seemed to be quite volatile during the pre-war years, also. Pennsylvania Airline's agency of record just prior to the merger in 1936 was Brooks, Smith & French, Detroit, with no agency shown for Central.¹ Nor are there records showing who handled the account immediately after the merger, but PCA appointed Federal Advertising Agency, Inc., New York, for 1937 and 1938.² The carrier placed its advertising direct in 1939 and 1940,³ then appointed Batten, Barton, Durstine & Osborn, New York, for the next two years.⁴ Apparently still dissatisfied, PCA appointed the J. Walter Thompson Company, New York, to service the account in January, 1943.⁵ JWT managed to survive PCA's pattern of switching agencies every two years, but not by much, as the account was lost to Lewis Edwin Ryan, Washington, D.C., in January, 1946.⁶

Examples of early PCA advertisements are extremely difficult to locate, due to a lack of newspaper and advertising agency records dating back into the '30s and '40s, but the two small-space ads reproduced here were probably typical of the times.

¹Standard Advertising Register (New York: National Register Publishing Company, Inc., 1936), XXI, 577.

²Ibid. (1937), XXII, 616; and (1938), XXIII, 693.

³Ibid. (1939), XXIV, 717; and (1940), XXV, 694.

⁴Ibid. (1941), XXVI, 698; and (1941), XXVII, 680.

⁵J. Walter Thompson Company (New York), Data supplied by JWT Information Center, May, 1963.

⁶Ibid.



Cleveland

39 minutes!

11 FLIGHTS DAILY

<i>Lr. Detroit</i>		<i>Lr. Cleveland</i>	
2:30 a.m.	2:40 p.m.	7:00 a.m.	5:00 p.m.
6:30 a.m.	4:00 p.m.	10:39 a.m.	5:54 p.m.
11:35 a.m.	5:00 p.m.	12:05 p.m.	8:00 p.m.
11:50 a.m.	6:00 p.m.	2:19 p.m.	9:05 p.m.
1:30 p.m.	7:10 p.m.	3:30 p.m.	11:15 p.m.
9:10 p.m.		2:10 a.m.	

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Whether you are planning to fly today, tomorrow, next week, or after the war, you'll enjoy visiting this beautiful new addition to Detroit's air travel facilities.

FOR AIR RESERVATIONS **ANYWHERE . . .**



PCA Air Terminal

Cor. Washington Blvd.
and State Street

PHONE

Pingree 6600

Plate I illustrates a two-column newspaper advertisement run in the fall of 1944, and based on other samples encountered for the same year, it appears to be representative not only of PCA but of the airline industry as well.

Plate II is another two-column advertisement from 1944, announcing the opening of a new PCA ticket office in downtown Detroit. The body copy suggests that PCA was concentrating on the business travel market during the war.

The signature on both ads includes the slogan, "The Capital Airline." As far as can be determined, 1944 marked the first time this line was used.¹ The question remains unanswered, however, of whether it was conceived as part of a post-war corporate face lifting.

¹Since the phrase, "The Capital Airline," appeared for the first time in 1944 in the carrier's annual report, it is a fair assumption that it made its initial appearance in advertising around the same time (Pennsylvania-Central Airlines Corporation, And Then There Were 14: Annual Report: 1944, 4th cover).

CHAPTER III

A POST-WAR DREAM EVAPORATES: 1946-1947

The Airline Industry Expands

Confident that prosperity would follow close on the heels of victory, the airlines petitioned the Civil Aeronautics Board for a fare reduction shortly after the war had ended. CAB promptly obliged by granting a 25% fare cut in September, 1945. There was a lone dissenter among the carriers--Pennsylvania-Central Airlines. PCA contended that a slash in passenger fares would not expand the airline business as supposed, since there already existed a post-war sellers' market that had people begging for seats. More important, perhaps, was the rising curve of airline wages and costs, which could be met only by holding revenue at wartime levels. PCA's warnings went unheeded, however, and when CAB approved the fare reduction, the carrier's choice became clear--join the price-cutters or be forced out of business by them.¹

And so PCA did what the others did--it sought new routes, hired more people, and bought new planes. By 1947, PCA had established stations in such cities as Minneapolis-St. Paul, Memphis, Toledo, and Richmond.²

¹Price, Saturday Evening Post, September 3, 1949, p. 50.

²Capital Airlines [Pennsylvania-Central Airlines Corporation], Annual Report: 1947, p. 7.

In order to staff the new stations and be prepared for the anticipated onrush of new customers, PCA swelled its ranks to 5,000 in 1946.¹ Advertising and publicity expenditures were increased from less than \$325,000 in 1945 to nearly \$640,000 in 1946, perhaps in hopes of triggering the stampede to its ticket counters.²

On the equipment scene, PCA became the first airline to fly four-engine planes over domestic routes³ when it purchased twenty-two Douglas DC-4's in 1946.⁴

In spite of the glowing statistics pouring in from the airlines, 1946 was a bad year. Business had indeed expanded, but not as rapidly as had been forecast. One reason--the public rebelled against the poor service being offered.⁵ Another reason--while airline income rose, operating costs rose even faster. Most airlines went into the red in 1946, and PCA was among the hardest hit. The carrier saw a \$1 million surplus from the preceding year become a \$3 million deficit,⁶ and financial disaster became a distinct possibility when it defaulted on a \$4 million loan made in 1946.⁷

¹"Mass Market in the Air," Business Week, September 30, 1950, p. 46.

²Capital Airlines Annual Report: 1947, p. 18.

³McIntyre, Editor and Publisher, April 10, 1954, p. 22.

⁴Pennsylvania-Central Airlines Corporation, Annual Report: 1946, p. 3.

⁵Price, Saturday Evening Post, September 3, 1949, p. 50.

⁶Business Week, July 3, 1954, p. 46.

⁷Selig Altschul, "Capital Seeks Financial Freedom," Aviation Week, October 31, 1949, p. 35.

A New Image for PCA

Pennsylvania-Central Airlines apparently compounded its mistakes by changing images in mid-stream. The carrier's famous eagle emblem was adopted in 1946, and a brief message on the inside front cover of that year's annual report informed stockholders that the name "Capital Airlines" would be used in advertising and other material addressed to the public ("because of the obvious promotional advantages they offer over the long corporate name"), and requested that they, too, refer to PCA as "Capital Airlines."¹ The one-column ad illustrated in Plate III shows how the carrier's signature was altered initially in 1946, with "Capital Airlines" replacing "The Capital Airline." The overall advertising campaign, if this particular uninspired effort is representative, may well have contributed to the carrier's poor showing in 1946.

It has been said that PCA's corporate change over was ill-timed, inasmuch as it forced the carrier to scrap much of its promotion material at a time when it was in perilous financial condition--as were other airlines--and when new airlines were fighting for a share of the market.² Nevertheless, without fanfare and almost unnoticed, Pennsylvania-Central Airlines had become Capital Airlines.

¹PCA, Annual Report: 1946, 2nd cover.

²Samuel Rovner, "Consistency Helped Airline Out of the Red," Editor and Publisher, January 14, 1950, p. 16.



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From Bad to Worse

The airline industry, still reeling from 1946 losses, experienced an even more disastrous year in 1947. Most carriers expected to lose money during the winter, but the 1946-1947 season showed industry-wide losses 30% higher than usual, and for several reasons.

For one thing, people in general seemed less inclined to travel. For another, a series of plane crashes in the spring of 1947 kept potential customers away in droves. One of these disasters involved a Capital airliner, and to make matters worse, it occurred in a prime market. The summer of 1947 saw the industry jolted by another traffic slump of such proportions that President Truman publicly announced that he was not afraid to fly.¹ The airlines, torn apart by soaring costs and plummeting revenue, now petitioned CAB for passenger fare increases. Again, CAB reacted favorably, and fares were raised 10% on two separate occasions in 1947.²

PCA's new name didn't prevent the airline from being among the hardest hit again in 1947, and the addition of twenty-three DC-3's to its burgeoning fleet seemed to be paradoxical in the face of shrinking passenger volume.³ Total passengers carried in 1947 numbered 1.1 million, compared with

¹Price, Saturday Evening Post, September 3, 1949, p. 50.

²Capital Airlines, Annual Report: 1947, p. 7.

³Ibid., p. 12.

1.3 million the year before. Orders for twenty Martin 2-0-2's and a fleet of Douglas DC-6's had to be canceled.¹ Post-war plans to make Capital a world-wide airline suddenly evaporated. Capital lost \$2.7 million in 1947, and its debt went from zero to \$14 million--all without even borrowing for new planes, as many other carriers had done.²

Capital's planes were flying practically empty, liabilities exceeded assets, and there were some doubts that the payrolls could be met.³ In what may have been the understatement of the year, CAB said that Capital's position was "apparently critical."⁴ CAB certainly didn't lessen the seriousness of the situation by awarding Northwest Airlines a Detroit-Pittsburgh-Cleveland-Washington route in October, 1947--a route Capital was already flying, point for point. CAB chairman James M. Landis, in dissenting from the decision, said the competition would be too severe for Capital, and fellow board member John Lee, also dissenting, noted that the Northwestern award would result in serious diversion of traffic from Capital, necessitating a substantial increase in mail pay for the

¹"Smaller Loss in '48 Forecast by PCA," Aviation Week, May 31, 1948, p. 37.

²Lawrence M. Hughes, "Capital Cashes In on Creative Selling," Sales Management, October 1, 1950, p. 37.

³"Capital Leads Again," Aviation Week, January 30, 1950, p. 50.

⁴Business Week, September 30, 1950, p. 44.

carrier.¹

The Northwest award had been made in conjunction with a route extension, between Milwaukee and Twin Cities, granted to Capital. CAB member Clarence Young questioned the wisdom of the Capital award, saying it would not lead the airline out of its financial crisis.² Indeed, it appeared for a time that nothing could lead Capital out of the woods. Post-war losses totaled more than \$3.5 million,³ and the value of Capital common stock plummeted from 49 7/8 to 3 7/8.⁴ Capital's financial backers, distressed by the situation, demanded the resignation of President C. Bedell Monroe.

A New President Takes The Reins

C. Bedell Monroe, president of Capital Airlines since its formation in 1936, was clearly on his way out. What actually went on behind the scenes is something only the principals know, but it was reported to the trade that Monroe offered to step down on the condition that James H. Carmichael succeed him.⁵

Carmichael, it will be recalled, was chief pilot of Central Airlines at the time of its merger with Pennsylvania Airlines in 1936. After serving as chief pilot of the newly-

¹"Northwest, PCA Get New Routes," Aviation Week, October 20, 1947, p. 46.

²Ibid.

³Price, Saturday Evening Post, September 3, 1949, p. 22.

⁴Hughes, Sales Management, October 1, 1950, p. 38.

⁵Price, Saturday Evening Post, September 3, 1949, p. 23.

created PCA, Carmichael moved to the executive side of the company as operations manager, later became vice-president of operations, and in 1946 was made executive vice-president.¹

Monro's offer was accepted in a compromise move, and on October 1, 1947, James H. Carmichael was elected president of Capital Airlines.² According to Business Week, the succession of Carmichael to the presidency came as a surprise, because he had been one of Monro's staunchest supporters.³ Some skeptics predicted he would never last. He just happened to be a nice guy who lacked experience in the one area of operations Capital could not afford to have mishandled--finances. But by 1949, Carmichael would be recognized as "one of the toughest guys who ever read a balance sheet, roared in pain and started firing brass hats."⁴ His success would cause one financier to remark: "We picked a compromise candidate for president to settle a fight, and fell heir to the smartest young man in the business."⁵

"With What We Have"

According to one observer, the Civil Aeronautics Act of 1938 virtually guaranteed that the federal government would not permit any scheduled airline to go bankrupt. The Act describes airlines as essential to commerce and the national

¹Business Week, July 3, 1954, p. 46.

²Price, Saturday Evening Post, September 3, 1949, p. 22.

³"On Top at Capital," Business Week, October 11, 1947, p. 41.

⁴Price, Saturday Evening Post, September 3, 1949, p. 22.

⁵Ibid.

defense. It provides for adjustment of mail subsidies by CAB, enabling each carrier to earn a fair return on investment. But the Act further stipulates that an airline must be managed honestly, efficiently, and economically to qualify for subsidies. Applying these facts of airline life to Capital, the observer poses the question: "How economical can an airline get without impairing safety or quality of service?"¹ The new management team at Capital, headed by James H. "Slim" Carmichael, was about to be put to the acid test.

Carmichael's first act as president was to call a meeting of Capital's top executives in the airline's Washington headquarters, to outline a new policy:

We're going to make a comeback with what we have. We won't base our planning on the new routes the Government might give us, or the raise in mail pay we might collect, or the if-money that might buy us maybe-airplanes. Suppose we can't be the fastest airline in the world or the most far-flung; we can be the safest, the most comfortable and the most on-time. With what we have now.²

Thus, in one swoop, Carmichael had renounced his company's policy of basing planning on expectations of new routes, better planes, and higher mail pay--and expanding accordingly. His "With What We Have" policy dealt instead with pure reality--existing routes, existing aircraft, existing mail pay, and reduced spending to fit existing income.

As an example of how the task was accomplished at the upper echelon, James B. Franklin was promoted to vice-president in charge of operations, maintenance, and engineering--replacing himself and two other executives in Carmichael's first manage-

¹Ibid., p. 48.

²Ibid., p. 23.

ment shift.¹

A key member of the new management team was James W. Austin, who had been named director of traffic and sales for Capital several months before Carmichael was elected president. Austin had come to Capital after four years with the Air Transport Command, but his earlier background hardly seemed to qualify him for his new duties.² Austin had been graduated from Colorado College as a petroleum engineer, then turned to selling securities. His success at Capital was attributed, in part, to an engineer's approach to selling--planning, organization, and follow-through.³

Austin spearheaded an economy drive that pared Capital's payroll from 4,900 to 3,000 within two months after Carmichael took over the presidency.⁴ Austin's own sales staff was slashed from 186 to 37, leaving only four salesmen in New York, compared with the thirty-five employed by one of the other airlines alone.⁵ But Austin wasn't interested in selling seat by seat on a personal contact basis, anyway, so the drastic cut in sales personnel didn't really perturb him ("You could lose thirty-five salesmen for a month in the Empire State Building alone," he was heard to say).⁶

¹Ibid., p. 48.

²Business Week, September 30, 1950, p. 46.

³Hughes, Sales Management, October 1, 1950, p. 38.

⁴Ibid.

⁵Business Week, September 30, 1950, p. 46.

⁶Ibid.

Similar reductions were made in other departments of the airline, with most of them based on Carmichael's brand of efficiency or the superfluous nature of the particular job. For example, Capital was among the majority of airlines that employed meteorologists to draw weather maps and make forecasts, but the basic data they use come from the United States Weather Bureau, which also provides maps and forecasts. Thus, when the ax fell at Capital, it claimed thirty meteorologists--practically the entire staff. The few that were spared were kept busy on special studies and seeing that weather bureau reports moved directly to pilots and dispatchers.¹

Capital's engineers found themselves in a similar position. Many of them had been engaged in master-minding the design of new airliners, a wasteful pastime by Capital's new standards, since aircraft manufacturers had their own designers for the same purpose. Besides, Capital couldn't afford the new planes its engineers had on the drawing boards, anyway. As a result, 75% of the carrier's engineers were fired, and those remaining were assigned the task of modernizing the existing fleet. This move saved Capital \$1 million--or the cost of hiring an outside firm to do the same job.²

After the personnel reduction program had been accomplished, at an annual savings of \$6 million, Capital's officers proceeded to cut their own salaries,³ then looked else-

¹Price, Saturday Evening Post, September 3, 1949, p. 48.

²Ibid.

³Hughes, Sales Management, October 1, 1950, p. 38.

where for economics. A savings of \$25,000 a year was realized by pasting signs saying "Is this long distance call necessary?" on all company telephones; gasoline costs were cut \$200,000 a year by straightening out fuel-consuming bends in flight paths between cities, and an additional \$168,000 was saved annually by consolidating ticketing and ground services with other airlines in thirty-three cities.¹ Other annual dollar savings were accomplished in office rentals (\$120,000), engine maintenance (\$237,000), and ticketing and reservation expenses (\$1.5 million).²

A new reservations system developed by Fred Klein, Capital's reservations manager, saved \$200,000 a year by replacing "rooms full of moving belts, jangling phones and distracted clerks" with a wall full of holes, for sales slips and sold-out markers.³ The Klein Plan was also tied into a system for controlling seat space, pioneered by Capital and Braniff International Airways, and copied throughout the industry.⁴

Not even the advertising and publicity budget was spared the ax, with expenditures in this area being cut by nearly one-third, to less than \$500,000 in 1947.⁵

When the dust had settled, Slim Carmichael had completed an economy drive that reduced variable costs to 62¢ a mile--

¹Price, Saturday Evening Post, September 3, 1949, p. 48.

²Hughes, Sales Management, October 1, 1950, p. 38.

³Price, Saturday Evening Post, September 3, 1949, p. 48.

⁴Ibid. ⁵Capital Airlines, Annual Report: 1947, p. 18.

lowest in the industry. "We have to scratch around now to find the half-cent items," he remarked.¹

"But Capital was not saved by saving," said Lawrence Hughes in Sales Management, "but by selling. [And] selling began at home."² Slim Carmichael and his management team told employees: "Think Capital; talk Capital; sell Capital."³

"Sell Capital"--the key words in the carrier's reincarnation. And the man who sold Capital Airlines when, as Business Week put it, "there was almost nothing to sell," was James Austin--"hard-hitting and aggressive."⁴ Austin was faced with the awesome task of making up for the airline's shortcomings with salesmanship, and the philosophy of his brand of salesmanship was to sell mass transportation to the masses. Why concentrate on business executives who already fly? Austin's course, instead, was to broaden the base of air passengers from the three to five million figure of 1947.⁵

Fortunately for Capital, the breaks were coming its way. Not only had CAB authorized a more liberal mail pay formula to pump new money into the industry, there was now a general turn for the better in airline traffic.⁶ Capital Airlines was set to welcome 1948 with a new vitality, a lean, tough, hungry management, and a new name.

¹Price, Saturday Evening Post, September 3, 1949, p. 48.

²Hughes, Sales Management, October 1, 1950, p. 38.

³Ibid.

⁴Business Week, September 30, 1950, p. 46.

⁵Ibid.

⁶Aviation Week, January 30, 1950, p. 50.

CHAPTER IV

A KEY YEAR AT CAPITAL AIRLINES: 1948

The new image with which Capital Airlines entered 1948 was lacking one facet. The name PCA had given way to Capital Airlines, but the official name of the company was still Pennsylvania-Central Airlines. This was remedied in 1948, when the corporate name also was changed to Capital Airlines.¹

Another Push Southward

Expansion into the deep south was a highlight of 1948 for Capital, with new stations bringing to thirty-seven the number served by the carrier.² The two principal awards, in February, involved route extensions from Birmingham to New Orleans via Mobile and from Bristol (Tennessee-Virginia) to Atlanta via Asheville, North Carolina.³ Capital could be pleased in the knowledge that it had won these awards over six competing airlines, including American, Delta, National, and Northeast, and that it had overcome an objection by

¹Business Week, July 3, 1954, p. 46.

²Capital Airlines, Annual Report: 1948, p. 9.

³Charles Adams, "PCA Bolstered by New Routes in Boston-New Orleans Decision," Aviation Week, February 9, 1948, p. 42.

Eastern that the award to any carrier would result in a 16% loss on its own Boston-New Orleans route.

Slim Carmichael hailed the news of his company's latest plum by stating that the new routes would materially strengthen Capital's entire operation. At the same time, CAB denied that Capital's financial difficulties would prevent the carrier from performing the newly-authorized service, reasoning that only three new stations were being added (Atlanta, Mobile, and New Orleans), and that little, if any, new flight equipment would be needed. On the contrary, CAB joined Carmichael in maintaining that the new stations would give Capital Airlines a more solid foundation for its entire route system. Some observers went so far as to say that the southern routes would be more important to Capital than its recently-established Milwaukee-Twin Cities route, and Capital itself was looking for an additional eighty-two million passenger revenue miles to be generated over existing routes because of the new routes.¹

At the same time it was expressing pleasure over its newly-expanded system, however, Capital was expressing concern over restrictions on its existing system, and in not being allowed to serve many of its markets "in their historical directional flow of traffic."² Of particular concern was the required stop at Pittsburgh on high volume routes out of New York, and the claim that this restriction put Capital at a

¹ Ibid.

² Capital Airlines, Annual Report: 1948, p. 14.

competitive disadvantage with nonstop flights.¹ These matters were to be thorns in the side of Capital Airlines for years to come.

New Fares and New Sources of Revenue

In 1945, with demand for airline seats at a peak, Capital Airlines had been the lone dissenter of an industry-wide petition for lower fares. Now, in 1948, with consumer demand sagging, Capital again spoke out--this time in opposition to a proposed 10% fare increase. The air traveler had been staggered with two similar price rises only the year before, and he might not stand still for another. Instead, Capital proposed a 5% reduction for various promotional packages to stimulate traffic. Again, Capital was to be denied, as the 10% fare hike went into effect. Shortly thereafter, however, the airlines had a change of heart and filed for the 5% discount suggested by Capital, thereby heralding a new era in commercial aviation in the United States.²

Fare reductions came in varied forms, including discounts on round-trip tickets, for flying early in the week, for bringing the family, or on one airline, for sacrificing in-flight meals.³

Charters Come Into Their Own

Capital participated in the Family Travel Plan along with other carriers, but in the meantime it was also pursuing

¹Ibid., pp. 14, 16. ²Ibid., pp. 17, 18.

³Price, Saturday Evening Post, September 3, 1949, p. 50.

what it had discovered to be another lucrative source of income--charter flights. In 1947, Capital ranked sixth in total operating revenues among the sixteen domestic trunk lines, but was an impressive third in non-scheduled transportation income--right behind American and Trans World Airlines. Capital stepped up activities in this area in 1948, and with the help of heavy promotion, took the industry lead by a wide margin in the first seven months of the year.¹ More significant, perhaps, Capital diverted business from bus lines, railroads, and non-scheduled airlines in building its charter business.² The non-scheduled airlines apparently were affected because travelers would rather fly a scheduled carrier such as Capital, given the opportunity.

According to Bill Urquhart, manager of Capital's special events section, the main sources of charter business were professional and college athletic teams, large business organizations, and such assorted groups as the Atomic Energy Commission, the American Legion, and the Detroit Times. In the sports department, Capital not only booked teams ranging from football and basketball to hockey and track, but sold charter flights to their fans as well.³

One reason Capital was able to parlay charter flights

¹"PCA Leads in Charter Business," Aviation Week, October 25, 1948, p. 38.

²Business Week, September 30, 1950, p. 46.

³Aviation Week, October 25, 1948, p. 38.

into a profitable sideline was the freedom to carry passengers outside its normal route system, and in 1948 it flew as far as the West Indies. The main reasons for the popularity of charters among Capital's management, however, lay in its ability to smooth out the valleys in traffic volume caused by seasonal slumps in regular traffic, thereby keeping personnel busy, and keeping the carrier's DC-3's and DC-4's in the air during normally slow times.

Despite the impressive statistics placing Capital as the leader in charter business for 1948, they should not be blown out of proportion, for in actuality income from this source accounted for only 2% of the carrier's total operating revenue for the year.¹ This figure was particularly important in 1948, however, because it was one way Capital could keep losses at a minimum while awaiting CAB review of its request for subsidy, and as Aviation Week pointed out:

The company's enterprise in luring new traffic points strongly to the presence of efficient management--a factor which CAB weighs carefully in setting mail rates.²

Rumblings of Merger

The momentum imparted to Capital by its new management was being felt now in the form of rising revenues, but the airline was far from being solvent. In fact, at one point in 1948, merger rumors involving Capital began to circulate through the industry. At the time, National Airlines was in the midst of a crippling strike by the Air Line Pilots Associ-

¹Ibid.

²Ibid.

ation and the International Association of Machinests, and it was speculated that National would merge with Delta to avoid complete collapse, with Capital to join the combine at a later date. For Capital, the consolidation would have meant a strengthening of its routes from Chicago to the eastern seaboard, but as it turned out, neither proposal materialized and the rumor mills were closed down for the time being.¹

The Aircoach: A New Concept

It cannot be said for certain that an event that occurred on the morning of November 4, 1948, hastened the rumor-quashing, but there is no doubt that it was to put Capital back in the black within a year. It was on this date that Capital Airlines topped all the discounters with the invention of the "Aircoach"; or "aircoach" or "air coach." The importance of the spelling should not be underestimated, for as Sales Management pointed out, by 1950 "aircoach had become generic--with nine other carriers adopting it. But only Capital was still entitled to spell Aircoach with a capital 'A'."²

The theory behind Capital's aircoach was simple enough. James Austin felt that the element of fare might have been as important as the element of fear in keeping people out of the air. Therefore, while all carriers including Capital would have liked to see fares raised, Austin caught everyone by sur-

¹"NAL-Delta Deal to Involve PCA?," Aviation Week, July 5, 1948, pp. 11, 12.

²Hughes, Sales Management, October 1, 1950, p. 39.

prise when he persuaded Capital's board of directors and CAB to accept his plan for simplified, four-cent-a-mile, late-evening flights as a means of filling planes.¹

It should be noted, however, that the concept put forth by Austin was not exactly new to the industry. Quite to the contrary, non-scheduled carriers had been running coach flights extensively since the end of World War II,² and on September 24, 1948, Pan American World Airways became the first certified scheduled carrier to offer such a service--flying between New York and Puerto Rico.³ It is significant, though, that Capital was the first scheduled airline to employ coach service exclusively over domestic routes.⁴

Capital's aircoach was born of necessity more than anything else. The airline, faced with problems similar to those of strictly short-haul airlines, was operating at less than peak efficiency. Its planes, personnel, and facilities sat idle from midnight to dawn, and any way they could be put to use, profitably, would be worth a try. Thus, as Wesley Price stated in a Saturday Evening Post article, aircoach service never would have gotten off the ground, literally, if Capital had been busy at night.⁵ Slim Carmichael confirmed this several years later when he said that for short-haul carriers, at least,

¹Ibid.

²"PCA to Start Sky-Coach Service," Aviation Week, October 4, 1948, p. 14.

³Business Week, July 3, 1954, p. 44.

⁴Aviation Week, October 4, 1948, p. 14.

⁵Price, Saturday Evening Post, September 3, 1949, p. 50.

the only valid reason for coach service was "to change a sixteen-hour sales day to a twenty-four-hour sales day."¹

Carmichael went on to say that for long-haul carriers the price differential between first class and coach would be enough to attract new customers on daylight flights, but that for short-haul lines daytime coach flights would find the carrier competing with itself, since the price differential would be so small.²

Confident that the aircoach would succeed, Capital applied for the service on its New York-Chicago route on October 15, 1948, and received quick approval from CAB.³ One reason Capital chose this route was the lack of late-night competition, which led to the belief that a 50% load factor--that is, 50% of the seats filled--would make the new service profitable.⁴ Other scheduled airlines and CAB were skeptical of the five-hour trip costing \$34.04 with tax,⁵ but Carmichael predicted that "the low-cost operation should react not only to the benefit of the public but to the industry as well in that more people will take to the airlines."⁶

The Big Day Arrives

In case anyone has forgotten, actress Kyle MacDonell was a popular television personality back in the late '40's. It

¹Business Week, July 3, 1954, p. 44. ²Ibid.

³Ibid. ⁴Aviation Week, October 4, 1948, p. 14.

⁵Hughes, Sales Management, October 1, 1950, p. 39.

⁶Aviation Week, October 4, 1948, p. 14.

is doubtful, however, that even her most loyal fan would recall that on the evening of November 3, 1948, it was she who christened "Night Hawk"--the first Capitaliner to fly as an aircoach. As a matter of fact, the ceremony in New York didn't seem to arouse much interest among anyone, as the first aircoach departed at 1:00 A.M. on November 4, 1948, with only nineteen passengers on board. The poor turnout could have been attributed to at least two things--little advance public notice, and the launching of service "in the wake of an election that could be expected to keep most people home."¹

Traffic built up steadily in the next few days, however, with people phoning in for reservations despite Capital's announcement that phone reservations would not be accepted. Tickets were sold over the counter only, with seats on the plane guaranteed--but this was of little comfort to the passengers, who would rush to the loading gates to get on board, fearing they would have to stand in the aisles if they were late.²

Aircoach service offered "service" in name only, for there were no magazines, no matches for smokers, no meals--not even chewing gum³--and there was only one stewardess or cabin attendant on the plane.⁴

¹"Capital Starts Sky Coach Service," Aviation Week, November 15, 1948, p. 48.

²Price, Saturday Evening Post, September 3, 1949, p. 50.

³Ibid. ⁴Aviation Week, October 4, 1948, p. 14.

At four-cents-a-mile, or 35% less than first class plane or train, people flew who never flew before.¹ And the hostesses liked them, claiming they were not ill-clad or ill-mannered, as some had contended. One Capital hostess remarked that aircoach passengers were, in fact, just like the first class travelers--except half of them needed help with seat belts, and a greater than normal percentage of them were women and babies.²

If Slim Carmichael was upset by one rival's complaint that he had set aviation back twenty years by offering four-cent-a-mile flights to plain people, he was too busy counting the profits aircoach was raking in to show it. Capital's 1948 annual report revealed that aircoach had grossed nearly \$219,000 in its first two months of operation and had continuously produced a net profit.³ Apparently, this was enough to convince the opposition, for within one year after the debut of Capital's Aircoach, five other airlines were in the race, with others seeking coach service authorization from CAB.⁴

Pan Am and Capital had scored immediate successes with their economy class services, but one question bothering airline operators was where coach passengers came from. If they were diverted from first class flights, the implications were ominous, but if they were diverted from other forms of trans-

¹Ibid.

²Price, Saturday Evening Post, September 3, 1949, p. 50.

³Hughes, Sales Management, October 1, 1950, p. 39.

⁴Price, Saturday Evening Post, September 3, 1949, p. 50.

portation, the future looked promising. The answer would not come until studies could be made, but Capital strongly suspected that the latter was the case.¹ As will be seen later, Capital was right.

Aircoach Not a Panacea

Despite Capital's instant success in the mass air travel market, the carrier was far from being in good health. Thanks largely to Aircoach, 1948 losses were cut to \$126,000 (though a \$3 million deficit in earned surplus remained), and the long-term debt had been cut to just under \$10 million.² Capital also gained \$3 million in operating revenue from all business, bringing the total to just over \$23 million for the year.³ In addition, CAB offered the airline a \$9 million lump sum subsidy in December, covering the period from January, 1947 through December, 1948.⁴ This still was not good enough, unfortunately, and losses forced Capital to withdraw applications for route extensions from Atlanta and Memphis to Los Angeles and San Francisco. Another gloomy note was sounded by the carrier's system-wide load factor, which dropped to 46.9% despite an aircoach figure of 70%.⁵

¹"Air 'Coaches'," Business Week, January 15, 1949, p. 39.

²Hughes, Sales Management, October 1, 1950, p. 38.

³Ibid., p. 39.

⁴"Mail Pay Proposals Aid Capital, Colonial," Aviation Week, January 3, 1949, p. 33.

⁵Ibid.

Sales and Advertising Programs

Slim Carmichael gave much of the credit for Capital's 1948 comeback to James Austin's aggressive sales campaign. "Capital Airlines is a retail business," said the 1948 annual report, and "its existence is dependent upon its ability to merchandise its product--air transportation."¹

This statement referred to the planned indoctrination of sales personnel to "Think CAPITAL! Talk CAPITAL! Sell CAPITAL!," but Lawrence Hughes, writing in Sales Management, insisted that Austin's sales campaign could also be called a creative campaign--one designed to get people into the air by luring them with low fares.²

Whatever it was, Capital believed that no amount of advertising, public relations, or sales effort could result in greater utilization and public acceptance of air travel, which was in greater supply than demand, unless the product itself merited public approval. Therefore, the 1948 campaign sought to make Capital the "friendliest, safest, most comfortable, and dependable airline in the industry."³ Capital hoped to accomplish this by exploiting word-of-mouth advertising ("the best advertising"), and building its entire sales and advertising program on this foundation.⁴

Capital's sales program was geared to two specific goals: (1) greater acceptance of Capital services in a de-

¹Capital Airlines, Annual Report: 1948, p. 22.

²Hughes, Sales Management, October 1, 1950, p. 39.

³Capital Airlines, Annual Report: 1948, p. 17. ⁴Ibid.

pressed market, (2) effective competition for the 70% of its business vulnerable to other air carriers. Secondary objectives were three: (1) to win acceptance in Capital's three new terminals--Atlanta, Twin Cities, and New Orleans, (2) to win acceptance in three established terminals--Charlotte, Mobile, and Toledo, (3) to combat Northwest Airline's newly-acquired competitive route connecting Detroit-Pittsburgh-Cleveland-Washington.

The major emphasis in 1948 was an advertising program designed to accomplish these objectives. Newspaper and radio were used more than ever before in an effort to influence mass markets, and a brand new direct mail program replaced the expensive personal solicitation effort of former years.

In comparison with past years, Capital's advertising and publicity budget for 1948 was a healthy \$840,000--or almost double the 1947 figure.¹ Part of the money came from savings effected when Austin slashed his sales force, and this, plus additional funds, went into a "high-frequency, high-visibility newspaper campaign," for which Editor and Publisher's Samuel Rovner credited Capital's 1948 comeback.² Plate IV shows a pre-Aircoach two-column advertisement from Capital's newspaper campaign--still not much different from what had been running for several years.

¹Ibid.

²Samuel Rovner, Editor and Publisher, January 14, 1950, p. 16.

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Curiously, the introduction of Aircoach created little stir in Capital's 1948 annual report. The airline did envision the new service as a "forerunner" of a new phase in air transport development, but said barely more. This fact, plus a lack of advance promotion announcing Aircoach, are perhaps the best clues that Capital itself did not know the full potential of this "new phase in air transport development."¹

A Look Into the Future

Comparatively speaking, 1948 was a good year for Capital. Even its passenger fleet, though not bolstered by the addition of new aircraft, came through the year unscathed.² For 1949, however, it saw no renewed effort to improve upon what it already had in the air. But the airline did set its sights higher in other areas, such as development of sightseeing flights, an increase in cargo revenue, efforts to reduce the need for subsidy, greater emphasis on the role of charter and special flights as revenue producers, holding the line on costs or even reducing them by tighter cost control, development of existing markets, attempts to improve the company's financial structure, and efforts to improve the safety, regularity, and dependability of scheduled airline operations.³ The annual report further noted that new or revised routes would be important in the coming year, and that the airline could easily add ten new stations without increasing the current total

¹Capital Airlines, Annual Report: 1948, p. 19.

²Ibid., pp. 10, 21.

³Ibid., pp. 2, 19.

station expense level.

Perhaps the only pessimistic note was in the area of passenger volume, where for some inexplicable reason, Capital did not anticipate gains--but at the same time assured stockholders that it was prepared to handle any growth.¹

And, perhaps the only overly-optimistic note sounded in 1948, was made by James Carmichael in his letter to stockholders:

Eighteen months ago the continued existence of Capital Airlines hung in the balance. Today it is a vigorous, going concern.²

In actuality, the "continued existence" of Capital Airlines was to hang in the balance for another decade.

¹Ibid., pp. 2, 9.

²Ibid., p. 2.

CHAPTER V

A PERIOD OF RELATIVE PROSPERITY: 1949-1953

1949: The Upswing Continues

Aviation Week reported in May, 1949, that Capital Airlines had come through the winter in "exceptionally good shape," and that the carrier believed it finally went into the black in April.¹ Slim Carmichael gave much of the credit for his company's rebound to Aircoach, pointing out that it helped regular daylight flights instead of diverting traffic from them, and that it also made possible more efficient use of equipment, facilities, and personnel between midnight and 6:00 A.M.²

Sharing the credit for putting Capital into the black were government mail subsidies, newly-established sight-seeing flights over Washington, addition of three seats each to the carrier's DC-3's, reduced ground time resulting from installation of baggage racks and built-in ramps in the same planes, a high percentage of flight completions, and contracting to perform maintenance for other airlines and for businesses that owned planes.³

¹"Capital Airlines Position Improves," Aviation Week, May 23, 1949, p. 46.

²Ibid.

³Ibid., pp. 46, 47.

The All-Important Subsidy

The importance of government subsidies in post-war airline operations cannot be underestimated, for they kept many carriers from going under. From the end of World War II to the spring of 1949, domestic trunk lines lost more than \$32 million, but during 1948 alone government subsidies totaled \$47 million, with payments to international and feeder lines bringing the total to \$102 million. Not only did subsidies help put airlines in the black, they also helped keep unprofitable cities on the routes and pay for wasteful practices imposed by CAB to regulate competition. Carmichael, for one, insisted that if CAB were to remove certain route restrictions his airline would be able to give better service to some cities, reduce service in others where traffic did not warrant it, and put Capital \$1.5 million in the black for 1949. As much as he disliked accepting mail pay ("It's a damned dole. We're going to get off it someday."), Slim Carmichael grabbed all he could get for the time being.¹

A Need for Modernization

As 1949 rushed on, Capital Airlines' position continued to improve, but things change quickly in the airline industry. Early in 1949, Slim Carmichael had taken the position that his line had no plans to purchase or lease new aircraft,² but

¹ Price, Saturday Evening Post, September 3, 1949, pp. 22, 50.

² Aviation Week, May 23, 1949, p. 47.

in spite of soaring passenger volume, the pinch of competitive equipment began to be felt. Capital's fleets of DC-3's and DC-4's were no match for the newer DC-6's, Constellations, and Convairs being flown by rival carriers over parallel routes, and it became evident that the only way to survive in 1950 was to lay the groundwork in 1949. In September, Capital announced that it was purchasing three 31-passenger Super DC-3's, and hoped to have twenty in the air by 1952, while at the same time phasing out the older DC-3's. In October, Capital bought three 56-passenger Lockheed Constellations, to be used mainly as supplements or replacements for the DC-4's used on its heavily trafficked Washington-Chicago route.¹ Eventually, two more Constellations were ordered for 1950, giving Capital an initial fleet of five.²

Aircoach Takes the Spotlight

As Capital gained momentum, the airline industry speculated that the carrier would soon become an all-coach line. Wesley Price noted that this would be a remote possibility, since it would not be looked upon with favor by CAB; rather, Slim Carmichael envisioned a combination service--part coach, part Pullman.³ Carmichael himself squelched all rumors

¹"Capital Connies," Aviation Week, October 24, 1949, p. 50.

²Hughes, Sales Management, October 1, 1950, p. 37.

³Price, Saturday Evening Post, September 3, 1949, p. 50.

of an all-coach airline while simultaneously maintaining he did not plan to start a fare war. To this a competitor was heard to say to him:

Slim, I'd hate to make aircoaches out of DC-6's, but listen, I could stuff 77 seats in them if I had to. How would you like that? Ha-ha! I am only kidding, Slim.¹

Persuading people to fly was no laughing matter to Slim Carmichael. He estimated that in 1948, only three to five million people bought the fourteen million tickets sold by domestic airlines, which served to demonstrate that what was wrong with the industry was inability to sell the masses on air travel. His oft-stated theory that Capital's Aircoach would expand the market, rather than divert regular-fare passengers, was at last ripe for testing.

In the spring of 1949, CAB released findings of a study it made on the aircoach. It was found that: (1) 34% of the coach passengers flying Capital and four other major lines were diverted from regular fare flights, (2) 18.5% of Capital's coach passengers were making their first commercial flight, (3) 86% of the coach passengers making their first flight said they would not have flown had this service not been available.²

In the fall of 1949, the U.S. Census Bureau surveyed non-scheduled airlines, and released statistics of great interest to the nation's trunk lines. The survey showed that: (1) 30% of "nonsked" passengers had been diverted from regular-fare

¹Ibid.

²"Capital's Coach Gains Trim Mail Pay Need," Aviation Week, August 29, 1949, p. 34.

flights (they had claimed only 10% of their passengers had been so diverted), 15% from rail Pullman, 13% from rail coach, 4% from automobiles, and 2% from buses, (2) 23% would not have made the trip at all had coach flights not been available, (3) 6% were not sure whether they would have made the trip if there had been no coach service, (4) 6% were uncertain how they would have traveled, (5) 1% would have taken more than one form of transportation.¹

A third survey showed that 21% of Capital's Aircoach passengers had never flown before, compared with 11% first-timers on regular flights.²

From all indications then, it appeared that Carmichael was wrong in insisting that coach service would not divert first class passengers. In fact, as many people were being diverted from the first class flights as from all other forms of mass transportation combined, at least for the non-scheduled airlines. On the other hand, from all indications it seemed as though Carmichael was correct in predicting that coach service had expanded the hitherto static air travel market.

In the face of mounting evidence that the aircoach was not doing the job it had been designed to do, and that its original purpose had been distorted by competitive pressures, Capital restated the original concept in its 1949 annual report by saying that in return for traveling at hours when

¹Charles Adams, "How Is Aircoach Working Out?," Aviation Week, January 9, 1950, pp. 43, 44.

²Hughes, Sales Management, October 1, 1950, p. 39.

planes would otherwise be idle, the public would receive a bonus in the form of reduced fares. The aircoach, Capital believed, would tap new sources of traffic, and in any event, was not intended to compete with regular service. Capital (said Capital) had adhered to the original concept.¹

Aircoach Volume Sags

Throughout the first half of 1949, Capital Airlines was able to report impressive traffic and sales figures, thanks to the aircoach service it had pioneered. As summer drew to a close, however, so did Capital's brief surge to new heights. Aircoach, which had saved the carrier from almost certain extinction, had become its own worst enemy. Eastern, Northwest, and TWA all were making inroads on Capital's load factors--a consequence Capital had foreseen when it warned that CAB authorization of coach service where such service was already available would make all coach service unprofitable.²

Sadly for Capital, the prediction came true, and late in 1949, Aircoach lost money for the first time since its inauguration. Capital also suffered a slump in regular-fare traffic, but while the carrier attributed this to the usual seasonal slack period, it blamed coach service declines on competition from TWA and Northwest.³

Despite the downtrend, Capital refused to give up on

¹Capital Airlines, Annual Report: 1949, p. 18.

²Adams, Aviation Week, January 9, 1950, p. 43.

³Ibid.

Aircoach, and in September began coach service on the New York-New Orleans and New York-Atlanta routes. Capital was not alone, however, as Eastern Air Lines also started coach service on the same two routes in the same month. By the end of October, Capital could show only a 25% average load factor for the Atlanta route, and in December decided to suspend service until the following spring--but Capital held onto its New Orleans segment tenaciously, believing it would still be a revenue-producer.¹

The extent to which Capital's share of the aircoach market was being carved away was apparent from its load factor performance. Between June and November, 1949, the airline's average load factor on east-central area coach flights tumbled from a peak of 85% down to 58%, and with Atlanta and New Orleans included, the November figure was a dismal 49%. This compares with an average load factor of 76% for the first eight months of 1949. It would be misleading to assume, however, that the abnormally high load factors reported by Capital were unique. For example, the coach service Northwest Airlines established in March, 1949, reported load factors of 60%, 80%, 87%, 92%, 90%, and 82%, for the April-September period, while for the same period, Northwest's regular-fare service load factor ranged from 47% to 68%.²

¹"Capital Halts One Coach Segment," Aviation Week, December 5, 1949, p. 17.

²Adams, Aviation Week, January 9, 1950, p. 43.

Another airline reporting high volume on its coach flights was TWA, which inaugurated DC-3 coach service between Kansas City and Los Angeles in February, 1949, and Stratoliner coach service on its New York-Chicago route in June, 1949. The airline reported load factors of 81% for the first eight months of the DC-3 operation, and 84% for the first four months of the Stratoliner service.¹

Thus, while load factors for coach flights were uniformly higher than those for regular-fare flights, they were common to most airlines offering this service. The one bright note for Capital was the profit Aircoach had earned before starting its downward plunge--\$30,000 a month from November, 1948, through July, 1949, with a total passenger volume of 83,000.² Even after the downtrend started, Slim Carmichael was optimistic, for the eastern railroads had just raised fares 12.5%, opening up a brand new coach market--and making it the closest competitor to bus transportation.³

The Charter Picture Was Bright

While Capital Airlines battled to maintain its position in the race it had started, it did not forget the market for charter and special flights unearthed in 1948. Athletic teams were still considered the most likely prospects for group

¹Ibid.

²Aviation Week, August 29, 1949, p. 33.

³Aviation Week, December 5, 1949, p. 17.

flights, accounting for 60% of sales by 1950¹--though in 1949, clubs, associations, and other groups were also tapped.²

Special sight-seeing flights, which had their beginnings in Washington, Pittsburgh, and Cleveland,³ spread to forty cities by 1950.⁴ These weekend excursions proved an instant success, at least in Washington, where for the first quarter of 1949, load factors averaged 98%.⁵

Another promotion-getter was Capital's "Mystery Flight," which eventually rated a picture story in Life.⁶ This Capital original attracted vacation-bound people who apparently were undecided as to where to spend their vacations, for the premise was that when a passenger boarded a "Mystery Flight," he didn't know where it would take him.⁷

Thanks largely to imaginative promotions such as these, Capital again led the industry in charter and special flights in 1949, grossing \$550,000.⁸

Advertising and Publicity

Capital Airlines managed to offset late-year losses in coach traffic by seeking out passengers at every turn, and

¹ Hughes, Sales Management, October 1, 1950, p. 125.

² Capital Airlines, Annual Report: 1949, p. 19.

³ Aviation Week, January 30, 1950, p. 50.

⁴ Hughes, Sales Management, October 1, 1950, p. 125.

⁵ Aviation Week, May 23, 1949, p. 47.

⁶ Hughes, Sales Management, October 1, 1950, p. 125.

⁷ Business Week, September 30, 1950, p. 46.

⁸ Hughes, Sales Management, October 1, 1950, p. 39.

ended 1949 in considerably better shape than in the previous year. This surprised even Slim Carmichael, who had said at the start of 1949: "[I see] no reason to expect an increase in Capital's business in the near future."¹

One reason for Capital's comparative success was its sales program, the objective of which was to develop mass markets, with major emphasis on its newspaper campaign. In the words of James Austin:

[Capital has] staked everything on an aggressive, consistent newspaper campaign [that has done] a truly magnificent job [for the airline].²

For 1949, this meant using every newspaper in every one of the seventy-three cities then served by Capital, except in New York and Chicago, where several newspapers were not scheduled. The resulting media list included 127 publications, with Capital running two to three insertions a week year-round, in sizes ranging from 80 to 270 lines. The advertisements were run in preferred positions (usually page two or three), at the top of the column, next to reading matter. Austin said Capital paid an average premium of 25% for this space, adding that "I would rather have 100 lines in preferred position than 125 r.o.p. at the same cost."³

Most insertions were scheduled on Monday, Tuesday, or Wednesday to avoid heavy competitive advertising, and also to take advantage of the relatively low volume of air traffic on

¹Aviation Week, October 24, 1949, p. 50.

²Rovner, Editor and Publisher, January 14, 1950, p. 16.

³Ibid.

those days ("The air-minded audience is more likely to be at home early in the week," Austin theorized).¹

Capital Airlines was also a firm believer in direct mail, turning out thousands of post cards annually on office duplicating machines in a campaign, described by Business Week as a "scatter-shot method that gets results," that was aimed at businessmen who attended conventions along Capital's routes.² The Direct Mail Advertising Association was enough impressed that it judged the airline's mail effort as the best in the entire transportation industry in 1949.³

Capital's advertising and publicity budget of just over \$1 million was carefully distributed among several revenue-producing categories--Aircoach, regular service, interline sales agency sales, special events, international sales, cargo sales, and timetable and promotional material space sales. According to the airline, each area was developed "as if each constituted a separate and distinct consumer product being sold under the 'Capital' brand name."⁴ In the area of cargo sales, for example, a specialized Cargo Sales Department was maintained in large industrial markets, and was supported by an advertising campaign directed specifically to shippers. As a typical example of Capital's efficiency, however, the carrier's entire sales force was on the lookout for cargo service buyers.⁵ Even the advertising for its number one

¹Ibid. ²Business Week, September 30, 1950, p. 46.

³Rovner, Editor and Publisher, January 14, 1950, p. 16.

⁴Capital Airlines, Annual Report: 1949, pp. 16, 26.

⁵Ibid., p. 17.

commodity, Aircoach, was expected to spin off benefits to the company over and above its effects on the coach market.¹

Despite the increasing emphasis it was placing on advertising, Capital still believed strongly that selling airline services was basically a person-to-person job, as indicated in the following statement from the 1949 annual report:

Capital's product is service. The basic ingredient in service is the attitude of the people who perform the service. Capital's personnel relations, therefore, are of tremendous importance because they are directly reflected in the quality of the service performed.²

Personnel relations were not regarded lightly at Capital, probably because they played such a crucial role in the crisis of 1947. The spirit and teamwork of the employees, to whom Capital had taken its case with no punches pulled, were given due credit by the airline for their part in its recovery.³

In 1949, Capital also reiterated its contention that word-of-mouth advertising was a "potent sales force," and appealed to stockholders to recommend Capital whenever the opportunity arose.⁴

Route Structure and Finances

Capital made little headway in 1949 toward improving its route system, but did petition CAB for removal of restrictions on some routes, and applied for a new route to Puerto Rico.⁵ Another accomplishment, which drew little attention, was CAB approval for an equipment interchange between Capital and

¹Aviation Week, August 29, 1949, p. 34.

²Capital Airlines, Annual Report: 1949, p. 22.

³Ibid. ⁴Ibid., p. 23. ⁵Ibid., pp. 13, 14.

National.¹ Although it wasn't put to use immediately, the CAB blessing would have great implications on Capital's penetration of the lucrative Florida vacation market.

Financially, Capital had strengthened its position in 1949, though it was far from paying its debts. On the surface, Capital was the sixth largest domestic air carrier in terms of total dollar volume from all sources (\$27 million), with net income only slightly less than that reported by Eastern and United, which ranked second and third in size and carried three times as many passengers as Capital.² The carrier did well enough to turn a \$126,000 deficit into a \$1.6 million profit,³ thanks in some measure to a 28% increase in passenger volume--twice the industry-wide average.⁴

On the debit side, the \$4 million bank loan in 1946 had been reduced to less than \$400,000,⁵ the total funded debt had been cut to \$7.2 million, and the carrier's assets were now nearly double its liabilities.⁶

President Carmichael attributed the record operating revenues racked up in 1949 to "the sales and promotional effort of the company."⁷ Some free publicity in the form of a

¹Ibid., p. 13.

²Hughes, Sales Management, October 1, 1950, pp. 37, 38.

³Business Week, September 30, 1950, p. 44.

⁴Aviation Week, January 30, 1950, p. 50.

⁵Aviation Week, October 24, 1949, p. 50.

⁶Hughes, Sales Management, October 1, 1950, p. 39.

⁷Ibid.

Saturday Evening Post feature also helped things along, according to one observer.¹

For the year just ended, Capital had solved one of its major problems--acquisition of new equipment. Aviation Week saw this accomplishment as marking "a new high in the carrier's comeback from the brink of bankruptcy."²

The year did end on a sad note, however, as a DC-3 crash on December 12 claimed six lives.³ Hopefully for Capital, it would not drive potential customers away from the carrier's ticket counters.

1950: A Big Year For Advertising

Capital Airlines' stockholders had been promised the "most aggressive promotional campaign" in the company's history for 1950, and they were not let down.⁴ Much of the effort was centered around the new Constellation service, but that would come later in the year. In the meantime Capital was pushing its other services with renewed vigor, and in keeping with the company's philosophy, selling began right at home.

Personnel Relations

It has already been pointed out that in Capital's darkest

¹Hughes, Sales Management, October 1, 1950, p. 39.

²Aviation Week, October 24, 1949, p. 50.

³Capital Airlines, Annual Report: 1949, p. 22.

⁴Ibid., p. 4.

hour, Slim Carmichael took his case to the people who worked for him: "We tell [our employees] in detail--the bad with the good--how things are going. We don't soft-soap them, nor minimize problems."¹

Part of Carmichael's program of taking employees into his confidence included distribution of edited confidential management reports, and a policy by which "all our people from foremen up attend monthly meetings in Washington."² The results, according to one aviation consultant quoted by Sales Management: "Capital has developed the best sales spark of all the airlines."³

A part of that "sales spark" was generated by special employe incentive programs, including: (1) a contest for international business, with top prize being an all-expense-paid trip, (2) "in-flight" contests among 150 hostesses and 100 male flight attendants, for signing continuing and return flights. These two contests alone produced \$109,000 extra revenue in the spring of 1950, leading to a decision to repeat them the following fall and spring. And if it seems odd that Capital should be promoting business abroad when it was limited to continental United States, it was just another of Slim Carmichael's customer services; that is, Capital offices in seventy-four cities would sell air travel anywhere in the world.⁴

¹Hughes, Sales Management, October 1, 1950, p. 124.

²Ibid.

³Ibid.

⁴Ibid., pp. 39, 124.

The Advertising Program

Direct Mail.--Despite Capital's quest for international business, domestic business held the spotlight. Fresh from its award-winning direct mail program, Capital wisely tried again in 1950, this time with a budget of \$30,000. In the first half of 1950, Capital sent sixteen "tailor-made, whimsical mailing pieces to 30,000 convention prospects--including antiquarians, barristers, bakery engineers, and sales executives."¹

In conjunction with the introduction of Constellation service, Capital mailed 125,000 "invitations" to likely prospects, with Lockheed generously picking up the tab.² Capital's intensified direct mail campaign, which also included promotion of seasonal travel,³ impressed DMAA judges to the tune of a second consecutive "best of industry" award in 1950.⁴

Newspaper.--A budget of \$900,000 was set for 1950, with one-third for promoting regular service and two-thirds for Aircoach and Family Fare Plan advertising. In addition to a schedule of 136 newspapers, ads were run in travel agents' business papers, sales retailing papers, and some 100 college publications.⁵ The latter were scheduled by Capital as a continuing part of its effort to tap the rich charter and group travel markets.

¹Ibid., p. 128. ²Ibid., p. 126.

³Capital Airlines, Annual Report: 1951, p. 16.

⁴Rovner, Editor and Publisher, January 14, 1950, p. 16.

⁵Hughes, Sales Management, October 1, 1950, pp. 126, 128.

Charters.--Colleges represented only one segment of the charter market, however, and Capital sought to reach at least part of the remainder through travel agents. Largely as a result of business paper campaigns directed at travel agents, who were sold on promoting the airline on a "mass-volume" basis rather than a "long-haul" or "resort" basis,¹ revenue from them doubled between 1946 and 1950--amounting to \$1 million per year in 1950.²

The importance Capital attached to its special events business was evident from a statement in the 1950 annual report:

The prestige and good public relations inherent in these profitable movements represents an intangible advertising and promotion value that is reflected in the revenue production of the Company's regular services.³

The popularity of the charter rate--less actually than Aircoach fares per head per mile⁴--was further evident in the list of more than 150 sports teams and companies named by the airline as charter flight users.⁵

Cargo Sales.--Ads in the sales and retailing trade publications were aimed at the cargo market and featured testimonials by leading shippers.⁶ Emphasis was placed on the speed,

¹Business Week, September 30, 1950, p. 46.

²Hughes, Sales Management, October 1, 1950, p. 126.

³Capital Airlines, Annual Report: 1950, p. 17.

⁴Hughes, Sales Management, October 1, 1950, p. 125.

⁵Capital Airlines, Annual Report: 1950, p. 17.

⁶Hughes, Sales Management, October 1, 1950, p. 128.

dependability, and economy of shipping everything from shoes and radios to boats and mushrooms via Capital air cargo service. Perhaps this hard-sell campaign accounts for Capital being able to boast of the highest cargo load factor of any scheduled air carrier in the United States in 1950.¹

Magazine.--Historically, Capital Airlines restricted its print campaigns to newspapers, while its biggest competitors poured considerable advertising dollars into magazines.² All this was changed in 1950, however, as the carrier allocated \$85,000 to its first national magazine effort, scheduling ads in New Yorker, Saturday Evening Post, and Time.³ The initial campaign was designed as a prestige-builder, running in conjunction with the introduction of Capital's Constellation service.⁴

Other Media.--Capital budgeted \$20,000 for outdoor advertising in 1950, and an undisclosed amount for spot radio. In addition to its spot schedule, Capital district managers in Mobile, Toledo, and Charleston (West Virginia) broadcast aviation news programs over local stations,⁵ apparently not only as a public service, but as a community public relations function as well.⁶

¹Ibid., pp. 39, 128.

²Rovner, Editor and Publisher, January 14, 1950, p. 16.

³Hughes, Sales Management, October 1, 1950, p. 126.

⁴Business Week, September 30, 1950, p. 46.

⁵Hughes, Sales Management, October 1, 1950, pp. 125, 128.

⁶Capital Airlines, Annual Report: 1950, p. 16.

Aircoach Campaign.--The approach Capital Airlines used in its 1950 Aircoach campaign was a far cry from the reminder type advertising of the '40's, as is evident from Plate V. The campaign, built around the visual "Flying Scotchman" and stressing economy and popularity in copy, was one of only two transportation companies (and the only airline) to be included in the 1950 edition of the American Newspaper Publishers Association Blue Book of Newspaper Advertising.¹

"Queens of All the Air"

Capital Airlines launched the most ambitious promotion campaign in its history in 1950 in anticipation of its new Constellation service.² The carrier was staking its future on the competitive equality the Constellations would create, to the point that all advertising and promotion materials, "from baggage stickers to 47-inch neon point-of-purchase signs to a 60- by 14-foot painted bulletin in Cleveland's Municipal Stadium," were redesigned around the airplane.³ Capital was hardly in a position to go it alone, but based on past ingenuity, it should come as no surprise that the airline formulated a three-pronged attack to help distribute the financial burden: (1) the company's own promotional efforts, (2) campaigns by Lockheed--builder of the Constellation, (3) promotional tie-ins by suppliers to Capital and Lockheed.

¹Capital Airlines, Annual Report: 1951, p. 16.

²Capital Airlines, Annual Report: 1959, p. 4.

³Hughes, Sales Management, October 1, 1950, p. 128.



**Capital's Amazing
4-engined Travel Bargain**

FLY THE "NIGHTHAWK"
Aircoach

CHICAGO — \$29⁶⁰ — 4 hrs. 49 min.
(Rail Coach: \$30.71—16 hrs. 40 min.)

MINNEAPOLIS — \$41⁰⁰ — 7 hrs. 52 min.
(Rail Coach: \$37.49—26 hrs.)

ST. PAUL — \$41⁰⁰ — 7 hrs. 52 min.
(Rail Coach: \$37.49—26 hrs.)

DETROIT — \$21⁰⁰ — 4 hrs. 9 min.
(Rail Coach: \$23.25—12 hrs. 18 min.)

Equally fast flights . . . equally low fares to Milwaukee,
Cleveland, Pittsburgh, New Orleans, Mobile,
Birmingham and Knoxville (All fares plus federal tax)

FOR RESERVED SEAT TICKETS: Brooklyn Airline Terminal (opposite A & S), 90 E. 42nd St.
& 165 Broadway, & Airport Terminal Newark or your travel agent. For Air Travel
ANYWHERE in the World, Call Murray Hill 7-8330. In Newark, Mitchell 3-8029

Capital
AIRLINES



All that remained for Capital was the staggering task of coordinating the three phases so they would converge, with full impact, by introduction time in October.

Lockheed's Part.--It was noted earlier that Lockheed absorbed the cost of a Capital direct mail campaign to 125,000 prospects,¹ but the aircraft manufacturer was to contribute a good deal more to the Constellation promotion program.

A key element was a one-year campaign in twenty-five major market newspapers, placed through Lockheed's advertising agency--Foote, Cone and Belding.² The aircraft manufacturer also bought 24-sheet posters announcing Capital "Connies" in Milwaukee, Minneapolis, and Norfolk, and at still other levels, it scheduled trade ads and house organ articles telling the story of Capital's new service.³

The most ambitious project, however, was a mock-up of a Capital Constellation "Cloud Club"--built by Lockheed in the old New York Airlines Terminal Annex.⁴ The Cloud Club was a separate lounge in the front of the plane where, according to Capital, one could play cards, rest, or listen to the radio amid "colorful flowers and decorations, luxurious lounge chairs, divans, tables."⁵ Capital was gambling that the plush atmosphere of the Cloud Club would justify its cost--\$50,000

¹Supra, p. 58.

²Hughes, Sales Management, October 1, 1950, p. 126.

³"Introduction of a New Service Demands Something More Than Usual," Printers' Ink, September 1, 1950, p. 39.

⁴Hughes, Sales Management, October 1, 1950, p. 126.

⁵Ibid., p. 128.

per plane.¹

The Suppliers' Part.--James Austin looked far beyond the airline industry for help in promoting Capital's new service, and in doing so, decided to use the tie-in technique employed successfully by non-airline advertisers.

First, he wrote to 352 Capital suppliers--everyone from gasoline and sparkplug manufacturers to firms that supplied Lockheed. Austin's letters explained the impending Constellation service, outlined a sixty-day promotion to the trade, and asked if they would like to participate. As a starter, he suggested that a minimum three-page insertion in each of two trade publications would be desirable, with Capital supplying electros, repros, and special slogan slugs. Austin was so confident of favorable reaction to his letters that he, Joel Daniels (Capital's advertising manager), and John Anderson (Capital's sales promotion manager), prepared the proposed kit in six days--complete with an explanation of the program, proofs of available electros and examples of how to work them into completed ads, art for new ads, and radio and television copy. The success of the program was virtually assured by an 80% response by the time the kit was ready--though not all of them were favorable.²

Next, Capital's field men and the trade magazines went into action. Promotion kits were delivered to all 352 suppliers,

¹Ibid., p. 38.

²Printers' Ink, September 1, 1950, p. 39.

and the results of each call were tabulated so that the solicitation program could be controlled, and return calls made on promising prospects. Said Printers' Ink of the campaign:

If anybody in the aviation industry doesn't know by the end of October that Capital is going Constellation, he can be written off as blind or illiterate.¹

Approximately 200 tie-in ads were scheduled by mid-August, and on August 28 the campaign was officially launched. Capital also received bonuses in the form of supplier stories of their contributions to the Constellation, and local retail ads run by department stores, caterers, and other firms with an interest in the airline business--some of them using Capital layouts such as shown in Plate VI.² Even the Girard Perregaux Watch Company got into the act, proclaiming itself the "Official Watch of Capital Airlines."³

Capital's Own Campaign for Constellation.--Large-space newspaper ads, built around the theme "Queens of All the Air," announced Constellations as they went into service on such routes as Chicago-Washington and Chicago-New York.⁴ There were also radio spot announcements and trade and consumer magazine advertisements, direct mail to travel agents, feeder lines, and hotels, and display pieces, timetables, and baggage stickers.

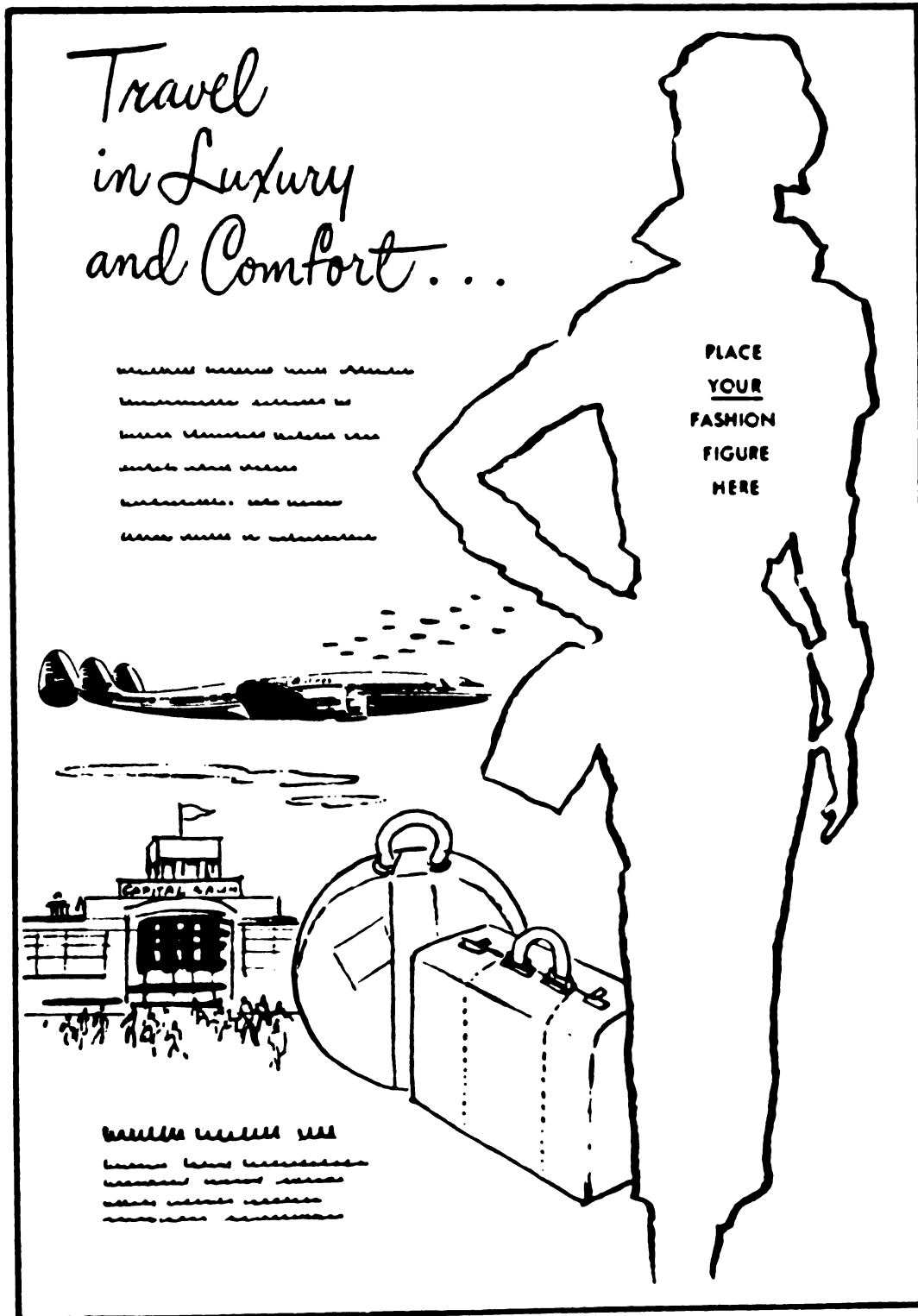
The public relations forces also swung into action to keep media informed of maiden flights and plan christenings.⁵

¹Ibid. ²Ibid.

³Hughes, Sales Management, October 1, 1950, p. 128.

⁴Ibid., p. 126.

⁵Printers' Ink, September 1, 1950, p. 39.



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Capital was Obviously high on airliner christenings, despite that poor turnout for Kyle MacDonell's Night Hawk launching in 1948, but this time a better-known celebrity was chosen to do the honors, with none other than Margaret Truman dedicating the Constellation "United States."¹

Capital's follow-up newspaper campaign, as exemplified by Plates VII and VIII, shifted emphasis from luxury to price. This was a curious turn of events, in view of all the fanfare and prestige surrounding the plane at introduction time, the considerable amount of money spent on creating and advertising plush interiors, and even with the names given the flights--"President," "Diplomat," "Constitution," "Executive," and so on.²

Competitive at Last!

Admittedly, Capital Airlines had purchased the Connies as replacements for the older DC-4's in markets where competitive equipment put the carrier at a disadvantage.³ The Super DC-3's, also purchased in 1949, served a different purpose--providing better inter-city service with a speed and performance capability greater than the older DC-3's.⁴

An ironic twist put the Chicago-Washington route on the Constellation priority list, even though Capital's DC-4's were already carrying half the industry volume--and in direct com-

¹Hughes, Sales Management, October 1, 1950, p. 128.

²Ibid.

³Capital Airlines, Annual Report: 1949, p. 20.

⁴Capital Airlines, Annual Report: 1950, p. 14.

Never before, such
Constellation luxury . . .



CAPITAL CONSTELLATIONS

NON-STOP to

CHICAGO

Leave 12:30 p. m. (EST) **\$36⁸⁰**
Ar. Chi. 2:15 p. m. (CST)

Service starts July 28.



Look . . . Lounge chairs,
rest . . . Must . . . relax again!

Sheer beauty, inside and out!
Custom interiors! Unsurpassed
comfort! And Capital's price-
less experience—23 years of
dependability. All yours at no
extra cost aboard a CAPITAL
CONSTELLATION! Fly today!



Capital

AIRLINES

Call Sterling 3000 or your travel agent
Ticket offices: Statler & Willard Hotels

Grand Parnassus,
Official Watch

fly *Capital* *Constellations*

Never before such luxury!



NON STOP... 2½ hrs.
WASHINGTON

Enjoy the "Cloud Club" Lounge **\$36⁸⁰**
at no extra fare

Other non-stop, 4-engine flights daily to
Washington, Cleveland and Detroit.

Sheer beauty, inside and out!
Custom interiors! Unsurpassed
comfort! And Capital's price-
less experience—23 years of
dependability. All yours at no
extra cost aboard a CAPITAL
CONSTELLATION! Fly today!

Call Dearborn 2-5711 or your travel agent.
Ticket offices: 144 S. Clark St. & Stevens Hotel
& The Palmer House

unexcelled in performance... unexcelled in luxury... fly

Capital
AIRLINES

petition with the DC-6's of American and United, and the Constellations of TWA.¹ Sales Management, which provided the information, did not speculate on the effects Capital's Connies might have on share of market, but Capital itself was confident enough to go ahead and order seven more of the aircraft--calling them a "significant development" that introduced a "new concept of comfort and service aloft."² The airline also noted that the prestige aspect was a "potent sales factor in the promotion of all of [Capital's] services."³

Route Problems Remain Unsolved

Despite its improved competitive position in the equipment race, Capital continued to be plagued by shortcomings inherent in its route structure. The airline was unique in serving not only all U.S. cities of over 500,000 population (except Boston, Houston, Los Angeles, and San Francisco), but towns as small as 3,000 as well.⁴ This was not a position to be envied, however, for the main routes were highly competitive and the short-haul routes were unprofitable, and none of the routes--long or short--generated resort business.⁵ Moreover, the carrier's 5,810 route miles represented only one-fourth to one-half that of the top five trunk lines, four of

¹Hughes, Sales Management, October 1, 1950, p. 39.

²Capital Airlines, Annual Report: 1950, p. 4. ³Ibid.

⁴Hughes, Sales Management, October 1, 1950, p. 39.

⁵Business Week, September 30, 1950, p. 46.

which were transcontinental operations,¹ and the average passenger trip was less than 300 miles on an average fare of \$18.²

Still, Capital continued to defy the odds, and in 1950 showed a revenue increase of 17%, compared with the industry average of 14%.³ In doing so, Capital claimed to have carried 50% of all aircoach passengers for the year.⁴ Apparently, the \$1.2 million spent for advertising and sales promotion had paid off.⁵ But whatever the reason for Capital's survival may have been, Slim Carmichael's version went as follows:

Capital's comeback has been based on realism. We've had to do the job by making the most of what we had. We first did it, and made money, in 1943, when our entire fleet had been reduced to seven planes. We've done it again, under even tougher conditions, since 1947. Among other things, we've had to regain the respect of our own industry, the financial community, the cities we serve. And our own stockholders and employees.⁶

¹ Hughes, Sales Management, October 1, 1950, p. 37.

² Capital Airlines, Annual Report: 1950, p. 11.

³ Business Week, September 30, 1950, p. 44. ⁴ Ibid., p. 46.

⁵ Hughes, Sales Management, October 1, 1950, p. 126.

⁶ Ibid., p. 38.

1951: An Unspectacular Year

Customer Services

Some of the biggest news in a relatively quiet year occurred in the area of customer services. In the innovation department, Capital updated its reservations system to introducing a ticket dispenser calculated to save twenty-five seconds per sale--or seven hours a day in Washington alone.¹ The ticket dispenser was conceived by Capital's assistant treasurer, which proved that at Capital, anyone could get into the efficiency act.

Meanwhile, Capital's Constellation service moved steadily ahead, expanding its operation southward on January 10, 1951.² The route, between New York and Atlanta, not only broke the monopoly Eastern Air Lines had held on nonstop service, but threatened to provide Eastern with some real competition, as Aviation Week pointed out:

Eastern is up against Capital's more de luxe service, actively promoted, using a 50-passenger-seating-density Constellation that has a lounge forward, complete with potted plants and caged lovebirds. Capital's whirlwind promotion and inauguration of the service puts a new face on southern service to the north.³

Capital had actually received CAB approval for nonstop service to Atlanta in 1948, but did not exercise the option at that time because of a financial situation that called for "pruning rather than sprouting new routes."⁴ Said one Capital official of the new service: "This route puts our airline on

¹"Quick Ticket," Business Week, August 11, 1951, p. 94.

²"Capital Rings Bell on N.Y.-Atlanta Run," Aviation Week, February 12, 1951, p. 42.

³Ibid., pp. 42, 43.

⁴Ibid., p. 43.

Main Street."¹

Capital took a step even farther south in March, when its interchange with National Airlines was finally put into operation.² Under the terms of the agreement, Capital was permitted to fly through-plane service from its northern cities to National's Florida and Caribbean resort markets during the winter months, with National providing reciprocal service during the summer.³

Korea Becomes a Factor

By 1951, the Korean conflict was well under way, creating among other things an economic boom in the United States. Slim Carmichael pointed out that the high volume of air traffic in 1951 was a result of this expanded economy, and that his company had responded to it by gearing operations to the inflated demand.⁴ What would happen after the end of hostilities was debatable, but Capital Airlines felt reasonably confident that the greater use of air travel during Korea would result in a "greatly expanded and lasting acceptance of air transportation."⁵ The carrier was not overconfident, however, and kept close watch on the dangers of over-expansion in the inflated markets.⁶

¹Ibid. ²Capital Airlines, Annual Report: 1950, p. 11.

³Capital Airlines, Annual Report: 1953, p. 11.

⁴Capital Airlines, Annual Report: 1950, p. 4.

⁵Ibid., p. 8. ⁶Ibid., p. 4.

The Advertising Program

At the end of 1951, Capital Airlines was able to report a 50% increase in passenger revenue over the previous year, an accomplishment attributed to having taken full advantage of the expanded air travel market in two ways: (1) by developing new markets through the improved "competitive service pattern" brought about by Constellation, (2) by carrying out "intensified promotional and advertising campaigns."¹ Capital claimed that its 1951 national advertising campaign, through the Lewis Edwin Ryan agency, "further enhanced the prestige of the company" and helped "increase revenue and further establish Capital identity."² The airline went on to say that the ad series, a continuation of the 1950 campaign, was "distinguished by its colorful and attractive illustrations, [and] utilized attention-getting headlines."³

The one-page, four-color advertisement reproduced in Plate IX was included in the annual Advertising Agency magazine readership survey of airline advertising, no doubt because of the high Starch readership scores it attained. The ad, which was compared with ads of similar specifications representing TWA, United, and American, scored highest of the four in Starch "read most" among men.⁴

Capital also received at least two awards for its 1951 programs. In the field of direct mail, it was the recipient

¹Capital Airlines, Annual Report: 1951, p. 17.

²Ibid. ³Ibid., p. 18.

⁴"Starch Reports Best-Read Advertisements," Advertising Agency, XLV (May, 1952), 80, 81.



picture of a MAN IN A HURRY

You lean back, completely relaxed when you're aboard today's finest airplane... Capital

Constellation. It's economical... you save valuable time and energy... and get there in
a comfortable hurry... Try it!

Dependable service for 24 years... 650 flights daily serving 71 major cities from the Atlantic to the West, the Great Lakes to the Gulf.

Capital
AIRLINES

General Office: Washington, D. C.

of a third consecutive "best of industry" award from DMAA, and for its public relations efforts, it won a national award from the American Public Relations Association.¹

In terms of total expenditures for advertising in 1951, Trans World Airlines was the industry leader, while Capital's budget of about \$1 million placed it fifth among all domestic airlines, and some \$400,000 behind the leader.²

The Financial Situation Improves

Capital Airlines made a healthy \$3.6 million profit in 1951, up from the \$2.2 million of 1950.³ Its share of total U.S. trunk line passenger revenue was up to 5.97%, compared with the 4.69% of gloom-ridden 1947.⁴ At long last, Slim Carmichael was able to report the attainment of a personal objective--his airline was finally put on an airmail rate, "based on services rendered, [and] free of any element of subsidy."⁵ The new rate was set at 53¢ per ton mile of mail carried, rather than on the former sliding scale, which was computed in inverse ratio to passenger load factor.⁶

Happily also, Capital had scraped together enough money to make needed improvements on its ancient DC-3's and DC-4's.⁷

¹Capital Airlines, Annual Report: 1951, p. 18.

²Lawrence M. Hughes, "Are the Railroads Being Wrecked by 'Saved' Advertising Dollars?" Sales Management, October 4, 1957, p. 73.

³Capital Airlines, Annual Report: 1954, p. 17.

⁴Business Week, July 3, 1954, p. 46.

⁵Capital Airlines, Annual Report: 1951, p. 4.

⁶Ibid., p. 6. ⁷Ibid., p. 8.

1952: The Year of the Merger Talks

The most exciting news around Capital Airlines' Washington headquarters in 1952 focused on one word--"merger." Unlike 1948, however, the rumors had some substance, and if anyone doubted this, all he had to do was turn to page twelve of Capital's 1951 annual report. There, and on the next three pages, appeared a detailed account of the merger proposal--complete with an additional three-page fold-out spread showing what the combined route structure would look like.¹

The airline with which Capital was to be joined was Northwest, and so great was the desire for the merger to be accomplished, that Slim Carmichael urged Capital's stockholders to vote for it.²

Northwest-Capital Airlines, as the new carrier was to be called, would have domestic routes topping 8,000 miles, making it the biggest in the United States. It would also solve the route problems that plagued both airlines. For Capital, it would mean continental routes extending as far west as Seattle; for Northwest, it would mean expansion into the eastern markets via a much-sought-after transcontinental route through Chicago.³ For the merged carriers, therefore, it would mean a competitive foothold in markets where long-haul passengers preferred to fly transcontinental airlines, rather than having

¹Ibid., pp. 12-15. ²Ibid., p. 4.

³"Made for Each Other," Time, February 11, 1952, pp. 86, 87.

to change planes. The new carrier would also fall heir to Northwest's 18,000 miles of international routes, reaching such ports of call as Honolulu, Japan, and the Philippines--thus fulfilling Capital's long-forgotten dream of a world-wide operation.¹

Both lines would benefit also from an equipment standpoint, pooling their 49 DC-4's, 35 DC-3's, 10 Boeing Strato-cruisers, and 5 Constellations.²

Piloting Northwest-Capital would be two veterans of financial and operational crises. Croil Hunter, Northwest's president, would become board chairman of the new carrier, and Slim Carmichael would become its president.³

Carmichael commented after signing the merger agreement that "it was about as casual as if we were buying each other a pack of cigarettes,"⁴ but Northwest's stockholders did not view the proposal in such a cut-and-dried manner, and they subsequently rejected it. In June, Northwest announced that the merger was off, and that its application had been withdrawn from CAB.⁵

Capital had been counting strongly on the merger, and was understandably upset when it was voted down, especially

¹Ibid. ²Ibid., p. 87.

³"Airlines Merge to Pare Costs," Newsweek, February 11, 1952, p. 65.

⁴Time, February 11, 1952, p. 87.

⁵"Merger Cancellation Disappoints Capital," Aviation Week, June 16, 1952, p. 92.

since the veto had come only after a last-minute change of heart by William Salvatore, a major Northwest shareholder.¹ Slim Carmichael, embittered by the refusal of the two airlines to make another attempt to win over the stubborn Northwest holdouts, made this statement:

Because of the strong sentiment in favor of the merger as evidenced by the public and official acceptance of the proposal and the vote of the majority of Northwest stockholders it appeared likely that Northwest in fulfillment of its agreement would take action to further the merger program.²

With one last breath, Carmichael added that the merger "would have benefited both companies and would have been much in the public interest."³ His words were of no avail.

The Rumors Are Revived

Hardly a month had passed before merger reports were again being circulated throughout the industry. According to Aviation Week, CAB had been anxious for the Northwest merger, but would settle for a similar arrangement between Capital and Delta, or National, or both--any of which would create "a sort of second Eastern Air Lines."⁴ But the main reason for renewed speculation, in the estimation of Aviation Week, was a desire on the part of the banks with which the major airlines had credit to improve the financial base and growth potential of these airline accounts.⁵

¹Ibid.

²Ibid., pp. 92, 93.

³Ibid., p. 93.

⁴"Big Airlines Bid for Capital Merger," Aviation Week, July 14, 1952, p. 79.

⁵Ibid.

Whatever the reasons, several airlines were reported to have talked merger with Capital after the Northwest fiasco, including United, American, Eastern and National.¹ But nothing concrete was to emerge from these secret huddles in 1952.

The Advertising Program

While merger struggles were being carried on behind closed doors, Capital was out drumming up new business, as usual. The charter and special events business, Capital's pride and joy, took on a new look--featuring such slack season package tours as "A Piggy Bank Vacation," and "A Weekend at the Waldorf."² Convention and group flights were also promoted heavily, using direct mail as a primary medium, and it was good enough to win another DMAA "best of industry" award in 1952.³ These campaigns helped Capital special events flights account for an almost traditional 2% of total passenger revenue again in 1952.⁴

The national magazine campaign, launched in 1950, was continued to 1952 "in the interest of enhancing the reputation and acceptance of Capital on the national level."⁵

The lion's share of the over-\$1 million budget went in-

¹Ibid. ²Capital Airlines, Annual Report: 1952, p. 17.

³There is evidence that Capital itself lost track of the number of consecutive DMAA awards it had won through 1952. In the 1951 annual report, it claimed three consecutive awards (p. 18), but in the 1952 annual report, it claimed to have won five awards in a row (p. 16).

⁴Capital Airlines, Annual Report: 1952, p. 8.

⁵Ibid., p. 16.

to newspapers in on-route cities, supplemented by spot radio, and apparently for the first time, spot television.¹

Corporate image and customer service were of major concern in 1952. Capital had been gradually transplanting its ticket offices from exclusive hotels and financial districts to areas with greater traffic potential,² and in the 1952 annual report, three such new locations were featured in the center spread, along with this statement from the airline:

Capital is proceeding with a long range program to acquire, where economically justified, tastefully decorated ticket offices on the more prominent corners of the important cities it serves. In addition to the service facility of these offices, the Capital identity at these crossroads of business and commerce invites and reminds the thousands who pass them daily to avail themselves of friendly, courteous and dependable Capital service.³

The Route Situation Grows Worse

While Capital was making progress on the ground, it was still having problems in the air. A major setback was the loss of the nonstop New York-Atlanta run, which left Eastern Air Lines with a virtual monopoly once again. Capital blamed abandonment of its service on CAB route restrictions that prevented the carrier from continuing on to Birmingham and gulf coast cities after landing at the Atlanta terminus of the nonstop New York-Atlanta route.⁴ Eastern, on the other hand,

¹Ibid. ²Business Week, September 30, 1950, p. 46.

³Capital Airlines, Annual Report: 1952, pp. 12, 13.

⁴"Capital to Protest Route Restriction," Aviation Week, December 15, 1952, p. 82.

was not faced with such restrictions, and could afford to operate the through service with lower load factors on the non-stop portion.¹

The Atlanta problem reflected Capital's growing concern with its southern route network, with the carrier claiming that routes to the south from New York and Washington were established long before air travel was in mass demand. Commercial and industrial growth in the ensuing years had made the situation totally impractical, with "another carrier" existing virtually unchallenged, and with some cities denied "adequate development of air service in the directions in which their community of interest now lies."²

Capital also insisted that the reinstatement of an obsolete CAB regulation had resulted in unprofitable coach service, with larger competitors pushing Capital right out of the market it had created. On the New York-Chicago route, for example, CAB experimented by reducing the number of stops Capital coaches were required to make from two to one. Load factors increased immediately, but when TWA and American entered the aircoach market with nonstop service, CAB promptly reimposed the two-stop requirement on Capital. When United entered the market, also nonstop, Capital was forced to withdraw its Nighthawk aircoach service because it couldn't very well fly empty planes at a profit.³

Capital had long contended that CAB forced it to fly

¹Ibid. ²Capital Airlines, Annual Report: 1952, p. 15.

³Aviation Week, December 15, 1952, p. 82.

half empty, making it a nonprofit organization and hindering its ability to serve major cities satisfactorily.¹ In order to correct the situation, Capital announced late in 1952 that it was filing route requests that would allow it to attain "competitive equality within its own region."² CAB approval would give Capital direct access to major cities on its New York-Chicago and New York-Washington-New Orleans routes, instead of having to land at marginal-revenue cities along the way.

Capital would also claim, in complaints to CAB and congressmen, that restrictions originally imposed to prevent competition at taxpayers' expense had become unworkable, and that since the major carriers were no longer on subsidy, the restrictions had succeeded only in creating bigger profits for the "Big Four"--American, Eastern, TWA, and United. Capital also hinted that if the situation did not improve, it might be forced back on subsidy, instead of the air mail rate it was receiving in 1952.³

Despite its persistent route problems, Capital managed to make slight financial gains in 1952.⁴ Employment was also up to 4,100, and once again the fleet had come through the year intact.⁵ Unhappily, the carrier's load factor tumbled

¹Ibid. ²Capital Airlines, Annual Report: 1952, p. 15.

³Aviation Week, December 15, 1952, p. 82.

⁴Capital Airlines, Annual Report: 1954, p. 17.

⁵Capital Airlines, Annual Report: 1952, pp. 16, 18.

nearly three percentage points from the 1951 high, to 57.97%.¹ For 1953, Slim Carmichael made a restrained forecast of better times, with emphasis to be placed on cost control and "the correction of basic inequities of our route structure."²

1953: No Change in Route Structure

Capital's route system problems were not resolved in 1953, but significant developments did take place in the carrier's efforts to expand its marketing area. First, the airline petitioned CAB for a straight-line operation from eastern cities to the South, and for extensions from New Orleans to Houston, and from Knoxville to Dallas-Fort Worth.

Second, Capital requested authority to establish an equipment interchange with Continental Airlines, to link Denver with major eastern cities.

Third, the equipment interchange with National Airlines had proved so successful that CAB permitted expansion of the service to three new northern markets--Buffalo, Milwaukee, and Twin Cities--in addition to the original cities of Detroit, Cleveland, and Pittsburgh.³ The interchange not only gave Capital a share of the winter vacation market from cities within its own system, it also resulted in more efficient use of personnel and equipment during the normal slack season, and

¹Capital Airlines, Annual Report: 1954, p. 17.

²Capital Airlines, Annual Report: 1952, p. 2.

³Capital Airlines, Annual Report: 1953, pp. 11, 17.

provided extra National equipment on Capital routes during the peak summer months.¹

Personnel Relations

Capital Airlines established a retirement program for employees in 1953, becoming the last major airline to do so,² and ending a paradox in which a company that counted on good employee morale had failed to assure it by providing for their future.

The company seemed to be going overboard, however, when it established a policy with each of its seventy-five stations that the executives would take over all tasks for a day if the station equaled or exceeded its established sales quota for twelve consecutive months. The executives included everyone from Carmichael on down, and the functions they took over from the station's regular staff ran the gamut from reservations agent to baggage handler, but they would revert to correct status in time for a banquet after working hours. By that time, Capital's grapevine would be spreading the word on the day's activities to other stations along the line.³

The employees generally spent their day off watching their bosses, nicknamed the "wrecking crew," make blunders. They were not often disappointed, but while the executives did stay on the job until everything had been straightened out (including

¹ Ibid., p. 11.

² Ibid., p. 13.

³ Jo Stephens, "Brass in Coveralls," Nation's Business, XLI (August, 1953), 56.

sweeping the floors), the airline's customers were not aware of what was happening. A passenger whose luggage ended up on the wrong plane, or who ended up on the wrong plane himself, might just take his business elsewhere in the future. And losing customers was hardly something Capital could afford. Slim Carmichael was willing to take the risks, however, in the belief that such programs not only would unite his people behind him, but would make them more inclined to discuss local problems with him. Equally important, "morale soars, [and] handling baggage again is less an arduous job."¹

The Pressures Begin to Build

Capital carried nearly 240,000 more passengers in 1953 than in 1952, with a gain of \$5.2 million in operating revenues.² Figures can be deceiving, however, for Capital was steadily losing ground in share of total trunk line passenger revenue. It slid from 5.95% in 1951, to 5.34% in 1952, and to 5.17% in 1953. If the trend continued, Capital would soon drop below the 4.69% figure of 1947--the year of the crisis.³

There was no longer any doubt that Capital Airlines was experiencing the full effects of competitive equipment, for despite the twelve Constellations now being operated along its routes, the carrier's aging DC-3's and DC-4's were

¹Ibid.

²Capital Airlines, Annual Report: 1954, p. 17.

³Business Week, July 3, 1954, p. 46.

bearing a disproportionate share of the burden. The carrier's coach service was also in trouble, even though its share of passenger revenue was up slightly, to 13.7% of total passenger revenue.¹

Despite its glowing prediction of a growth in traffic volume for 1954,² Capital Airlines was about to face another crisis.

¹Capital Airlines, Annual Report: 1953, pp. 7, 9.

²Ibid., p. 18.

CHAPTER VI

CRISIS AND A NEW CONCEPT: 1954

Background to the Crisis

Capital Airlines had long been recognized as a "big" airline in terms of passenger revenue, but in 1954, the airline went so far as to call itself the biggest strictly domestic carrier in the United States. Viewed from another perspective, Capital had just fought its way into tenth place among transportation lines of all types.¹ It has already been pointed out, however, that size is only relative. In terms of financial stability, sound route structure, route miles served, modern aircraft, and passenger volume, Capital was hardly in a position to challenge the likes of United, American, TWA, and Eastern.

The Number One Problem

Of the multitude of problem facing Capital in 1954, route structure had been causing the most grief. The airline was now serving seventy-seven cities, comprising 60% of the entire United States population.² But it was still geographically centered on its birthplace of Pittsburgh, with terminal

¹McIntyre, Editor and Publisher, April 10, 1954, p. 15.

²Ibid., pp. 15, 22.

points reaching east to New York and Washington, west to Twin Cities, and south to Atlanta and New Orleans.¹ This made Capital a "regional carrier," and though the term is not used by CAB, Business Week theorized that a regional carrier might be defined as not being a transcontinental carrier.²

Regardless of the terminology used, it was a fact that Capital Airlines was basically a short-haul airline, with only a small share of the middle- and long-haul markets. For example, the average distance between Capital's cities was only 214 miles, the average passenger journey was only 320 miles,³ and the average fare was just \$18.⁴ Several of its routes ended in deadends, while others were loaded with unprofitable stops and detours.⁵

To make matters worse, Capital faced stiff competition from bigger airlines serving its on-route cities, and on a system-wide basis, competed directly with Eastern, United, TWA, and American, for over 80% of its revenue.⁶ On many of these routes, Capital had been added for better service only after the other carriers had established themselves, and CAB

¹Lawrence M. Hughes, "Capital Sells a New Way to Fly," Sales Management, November 1, 1954, p. 58.

²Business Week, July 3, 1954, p. 44.

³Hughes, Sales Management, November 1, 1954, p. 58.

⁴McIntyre, Editor and Publisher, April 10, 1954, p. 15.

⁵Hughes, Sales Management, November 1, 1954, p. 58.

⁶Business Week, July 3, 1954, p. 44.

was then obliged to protect them from unfair competition by newcomers. The demise of Capital's nonstop service between New York and Atlanta illustrates this principle. It will be recalled that Capital had entered a market where Eastern Air Lines had a monopoly, and in order to protect Eastern from a loss of business, Capital was subject to certain restrictions. It could serve Atlanta from New York, and it could serve Birmingham and New Orleans from New York--but not on the same flight. Unfortunately for Capital, there was not enough business on either of these routes to justify separate flights, making it unprofitable to fight Eastern in that long-haul market.

The situation that forced Capital out of the southern nonstop market was not unique. In fact, the numerous similar restrictions placed on the airline led it to claim that in Capital's own region, Capital should be protected from trans-continental giants--not the other way around.¹

Capital had high hopes that the cases it had filed with CAB would be settled in its favor, allowing the carrier to eliminate some stops, fly nonstop between additional cities, add new routes, and extend existing routes.² In the opinion of Business Week, the outcome of these cases would determine "whether Capital is to be truly successful or only moderately successful."³

¹Ibid., p. 47.

²Hughes, Sales Management, November 1, 1954, p. 60.

³Business Week, July 3, 1954, p. 47.

A Need for New Aircraft

The nature of Capital's route system placed it at an equipment disadvantage, also. On short-haul routes, which were usually segments of competitors' long-haul routes, Capital was often up against larger, faster, more modern planes than its own local market could justify. And the planes it did fly on these short routes were not suited to its longer flights. The type of aircraft Capital needed to meet competition head-on would have to be flexible enough to operate on both long- and short-hauls, and it would have to be fast enough and attractive enough to lure passengers away from the other airlines.¹ The problem was that no U.S. aircraft manufacturer offered a plan meeting these specifications. The big ones, such as the Lockheed Super Constellation and Douglas DC-6 and DC-7, were too costly to operate over Capital's routes,² and the smaller ones were simply not competitive enough.³

The Answer: Viscount

Business Week reported in 1953 that despite the spectacular performance of Britain's Comet turbojet airliner, "some American manufacturers foresee the stiffest competition from the turboprop-powered Vickers Viscount."⁴ In June, 1954, Capital Airlines confirmed the fears of the manufacturers by

¹Ibid., p. 44.

²"British Planes for U.S.," Business Week, June 12, 1954, p. 161.

³Business Week, July 3, 1954, p. 44.

⁴"New Airline Workhorse," Business Week, October 24, 1953, p. 184.

announcing that it had just purchased \$45 million worth of Viscounts, making it the first U.S. turboprop airline.¹

Capital's surprise move aroused some resentment among American aircraft manufacturers, but Slim Carmichael was unperturbed, for he had ordered the Viscounts only after a comprehensive study of the domestic market convinced him there were no American-built planes to suit the needs of his airline. Carmichael further justified his decision by pointing out that Viscounts would still bring business to domestic firms, since many of its parts were manufactured in this country.²

The important thing, as Carmichael saw it, was that the Viscount was the answer to Capital's prayers. Its 1,500-mile range would permit it to fly nonstop between any two cities on Capital's existing routes, and for short runs, it would be as fast as, or faster than, any plane in operation.³ Moreover, it would be able to operate from forty-eight of the fifty-one airports on Capital's route system, compared with thirty-six for Constellation and forty-one for the DC-4.⁴

Slim Carmichael had a great deal to say about the Viscount as a competitive weapon:

¹Business Week, June 12, 1954, p. 161

²Ibid.

³Hughes, Sales Management, November 1, 1954, p. 60.

⁴"The British Are Coming," Time, June 14, 1954, p. 102.

We compete with the "Big Four" [on 80% of our route system], and you can't do this successfully without a first-class airplane. We had an acute need for a four-engine plane comparable to Big Four equipment.¹

I am enthusiastic about the traffic-producing potential of the Viscount. It will be completely competitive with the DC-7 and the Super Connie, and set a standard of service that will not be exceeded in our area.²

There will be no section of our system where we cannot compete with other domestic airlines, and in a few sections we will be able to better their schedules. The Viscount still has further development ahead of it and gradually will improve its performance with experience.³

Capital truly felt that the Viscount was the first plane ideally suited to a regional type of operation, and as James Austin told his sales force, until it came along Capital "had to fly planes built for others."⁴ Slim Carmichael thought the plane was so well suited to Capital that "he couldn't be more pleased with the aircraft if it had been designed to our specifications."⁵ He even envisioned that Viscount might some day give Capital "the airline operator's ideal"; that is, the capability of serving the entire route system "with one type of plane and one type of engine."⁶

The Deal for Viscount

The contract Capital signed with Vickers-Armstrongs, Ltd., called for the purchase of forty Viscounts, with an

¹"British Crack U.S. Market with Viscounts," Aviation Week, June 14, 1954, p. 17.

²Ibid. ³Ibid., p. 16.

⁴Hughes, Sales Management, November 1, 1954, p. 58.

⁵Aviation Week, June 14, 1954, p. 17.

⁶Time, June 14, 1954, p. 102.

option for twenty more. Delivery of the first three planes was to be in the winter of 1954,¹ with the remaining thirty-seven scheduled to arrive in waves, ending in 1957.² The airline hoped to begin Viscount service in April, 1955,³ and have a total of twenty in the air by the end of the year.⁴ Capital assured itself of a three to four year jump on the domestic turboprop market by insisting that Vickers deliver all forty of its planes before filling any other orders from the United States.⁵

The \$45 million Capital spent on its initial Viscount purchase equaled the carrier's entire operating revenue of 1953, but it was still considered a bargain because a similar number of DC-7's or Super Constellations would have cost about twice as much. Payments for the Viscounts were to be spread over a five year period, with monthly installments of \$16,000 for each plane, plus interest of 1 3/4% per year more than the current Bank of England rediscount rate, which was then 3%.⁶

¹Hughes, Sales Management, November 1, 1954, pp. 56, 58.

²Aviation Week, June 14, 1954, p. 16.

³"Capital Airlines Picks the Turboprop," Business Week, July 3, 1954, p. 41.

⁴Hughes, Sales Management, November 1, 1954, p. 58.

⁵Preble Staver, "Capital Stakes Its Future on Viscounts," Aviation Week, July 18, 1955, p. 111.

⁶Hughes, Sales Management, November 1, 1954, p. 60.

The Viscount Itself

A 1954 article in Business Week referred to the Viscount as a "radically new airplane," but in reality, it was far from unproven.¹ It is quite true that no domestic manufacturer had announced plans for a commercial turboprop as of 1954, but the British aircraft firm of Vickers-Armstrongs had been flying prototypes of the Viscount turboprop since 1948.² Twenty of them went into commercial service on British European Airways in April, 1953, and proceeded to log 100 million passenger miles of safe operation in fifteen months, during which time BEA's share of traffic on highly competitive routes jumped from 28% to nearly 58%.³ The Viscount had proved so successful right from the start that Capital Airlines had to stand in line behind Air France, Irish, Trans-Australia, British West Indies, and Trans-Canada Airlines to place its order.⁴

The Viscount Engine.--It was the power plant that made Viscount different from any other commercial plane then in operation. Viscount was in fact the first plane to be "built around an engine," as Capital put it.⁵ The sole means of propulsion up until that time was the reciprocating (piston)

¹Business Week, July 3, 1954, p. 41.

²Hughes, Sales Management, November 1, 1954, p. 58.

³Business Week, June 12, 1954, p. 161.

⁴Hughes, Sales Management, November 1, 1954, p. 58.

⁵Ibid., p. 56.

engine, which moves the plane forward by means of a propellor. Still in the testing stage in 1954, as far as the airlines were concerned, was the jet turbine (turbojet or pure jet) engine, which derives its thrust solely from exhaust gases. The turboprop (propjet or jetprop) engine was a combine of both--about 80% propellor and 20% jet. It gained some extra thrust from exhaust gases, as in a pure jet, but relied mainly on its propellers.¹

Capital's vice-president for operations, James B. Franklin, said the turboprop engine offered short-haul airlines the unbeatable combination of low cost and high efficiency, and a comparison of the three types of engines will make the reasons clear. The piston engine could run at full power only for short periods, and had to be throttled down to 50% of rated peak capacity after reaching cruising altitude to keep it from burning out. The pure jet, on the other hand, could run at full power for long periods, but its appetite for fuel was enormous. The turboprop combined the best features of both. Like the pure jet, it could run close to full power for sustained periods, but like the piston engine, it consumed more reasonable amounts of fuel.² To be perfectly accurate, the turboprop did use about twice as much fuel as the piston engine--but it burned kerosene, which costs half as much as gasoline.³ Other advantages of Viscount's Rolls-Royce Dart engines over conventional piston engines were its lack of vi-

¹Business Week, July 3, 1954, pp. 41, 42.

²Ibid., p. 42.

³Hughes, Sales Management, November 1, 1954, p. 58.

bration and lower noise level--definite selling points for airlines.¹

The entry of Viscount into the domestic market was hailed by turboprop supporters, who had long predicted its value to short-haul operations.² Slim Carmichael felt the same way:

The piston plane has reached its high point and the development of the art suggests that the turboprop is next. Capital is proud to be the first to introduce the turboprop on airlines in the U S.³

The Plane That Was Built Around the Engine

Depending upon its seating configuration, a Vickers Viscount could whisk from 44 to 56 passengers⁴ through the skies in vibration-free silence, at speeds up to 385 miles per hour. Inside the plane, passengers would find a wider cabin and larger windows than they were accustomed to seeing on Capitaliners.⁵ Their comfort would be assured, even at altitudes up to 30,000 feet, by a pressurization system reported to be the best ever designed for a commercial airplane.⁶ And it might have been of further comfort to passengers to know that a Viscount could remain aloft on two engines, if need be.⁷

¹Aviation Week, June 14, 1954, p. 17.

²Business Week, July 3, 1954, p. 41.

³Aviation Week, June 14, 1954, p. 17.

⁴Ibid.

⁵Hughes, Sales Management, November 1, 1954, p. 58.

⁶Business Week, July 3, 1954, p. 41.

⁷Hughes, Sales Management, November 1, 1954, p. 58.

The Master Plan for Viscount

Preparations for the Arrival

The first order of business after Capital had signed the contract with Vickers was to prepare for the arrival of the first Viscounts. The logistics problem alone was titanic--and expensive. Capital would have to spend \$800,000 for kerosene storage facilities, including storage tanks, tenders, and handling equipment, at approximately twenty stations where Viscounts were to be fueled.

Complete engine overhaul and test facilities would have to be established, and in order to be able to perform any maintenance at all, an estimated \$10,000 would have to be spent for equipment in the metric system of measurement.

Finally, Vickers leased Capital's Alexandria, Virginia, parts depot to stockpile a multi-million dollar supply of parts for the Viscount and its Rolls-Royce engines.¹

Where the Viscounts Would Fly

Capital had hoped to place its first twenty Viscounts in service by the end of 1955, in its top eight markets.² One by one, Capital would replace its existing fleet, until all forty Viscounts had been put into service.³ Aviation

¹George L. Christian, "Capital Busy Getting Set for Viscounts," Aviation Week, February 21, 1955, pp. 77, 82.

²Hughes, Sales Management, November 1, 1954, p. 56.

³Business Week, July 3, 1954, p. 42.

Week did not see things exactly as Capital did, however, and challenged the carrier's timetable for an all-Viscount fleet. For one thing, the trusty old DC-3's would be needed indefinitely, to serve airports too small to handle the Viscount; for another, Capital's DC-4's were very economical to operate.¹ Capital had, in fact, the largest DC-4 fleet in the United States, and Aviation Week thought it highly unlikely that with so much flying time and maintenance experience, the airline would abandon them entirely. And it was further speculated that Capital's Constellations would be retained and converted to 82-seat tourist or coach service equipment.²

Viscount Services

The Viscount would be used initially for first class service only, and with a 48-seat configuration the break-even load factor was estimated to be 50.6%.³ Despite the uniqueness of the turboprop in an all-piston industry, Capital planned no surcharge for Viscount service.⁴ Viscount coach service was not a part of Capital's early plans, but when the time did come, the configuration would be modified to 56 seats.⁵

¹Capital had acknowledged this, saying that Viscounts would cost slightly more to operate than DC-4's on a per hour basis, but actually less on a per seat-mile basis, due to its 115 mile per hour speed advantage (Time, June 14, 1954, p. 102).

²"One-Type Fleet?," Aviation Week, February 21, 1955, p. 77.

³Aviation Week, June 14, 1954, p. 17.

⁴Hughes, Sales Management, November 1, 1954, p. 58.

⁵Aviation Week, June 14, 1954, p. 17.

Advertising Strategy: Before and After Viscount

Capital Airlines had just stunned the airline industry by scoring two significant "firsts": (1) it would be the first carrier to fly foreign-made planes commercially in this country, (2) it would be the first carrier to fly turboprop-powered planes commercially in this country.

Capital Airlines also stunned its advertising department and advertising agency with its announcement in June of the Viscount deal, because the promotion campaign for 1954 was already in high gear. Now the advertising people would have to start scrambling, for while Viscount service would not be introduced until the spring of 1955, there was a great desire on the part of Capital's executives to insure immediate public acceptance. A pre-introductory campaign was developed and put into operation by August, but there is nothing to indicate that Capital's regular campaign was affected by it. For this reason, the airline's advertising for 1954 will be treated as two separate and distinct programs--non-Viscount and Viscount.

The Non-Viscount Campaign

Capital's advertising strategy for 1954 was geared to the airline's increasing emphasis on its existing fleets of four engine Constellations and DC-4's, with its old reliable DC-3's being banished to routes serving small airports.¹

Newspaper.--Robert B. McIntyre, writing in Editor and Publisher, asserted that the advertising philosophy at Capital

¹Richard Balentine, "Capital Educated Workers to Cut Expenses," Aviation Week, February 22, 1954, p. 102.

Airlines was to spend what you have to on advertising in order to make money. If this were indeed the case, Capital might have had the largest advertising budget of anybody, anywhere. In reality, however, the airline did manage to spend in excess of \$1 million for advertising in 1954, with the major share--about \$800,000--going into newspaper.¹ According to James Austin, newspaper was doing yeoman's work for the carrier:

If we didn't think newspaper advertising was doing a job, we wouldn't be spending \$800,000 in the medium. Of course, it's difficult to pin down just what part of our sales are attributed to newspaper ads. But it's a safe bet that the medium has exerted a tremendous influence.²

Austin added that his sales force agreed that "newspapers are the most important part of our overall advertising schedule," and that the salesmen "depend on it for that all-important local-level sell."³

Capital's newspaper schedule included 127 dailies, and its campaign was built around small-space (100- to 450-line) ads, run three times a week, always on page two or three. Each advertisement in the campaign featured a different major city on Capital's route system, identified both by name and by a familiar landmark in the background.⁴ Plate X illustrates one of the ads from this series.

Magazines.--The 1954 magazine campaign, which ran in eight publications, bore a striking resemblance to the newspaper

¹McIntyre, Editor and Publisher, April 10, 1954, p. 15.

²Ibid.

³Ibid.

⁴Ibid., pp. 15, 22.

PITTSBURGH



11 Flights Daily

Morning, Afternoon
and Evening

Featuring

Capital Constellations

at 7:30 p.m. and 8:45 p.m.

Also daily service to Detroit,
Cleveland, New York, Baltimore,
Washington and Norfolk

Call DEarborn 2-5711
or your TRAVEL AGENT
Ticket Offices: Cor. State & Monroe Sts.,
& Conrad Hilton Hotel

Capital AIRLINES

THE TREAT IS HOURS

series. The illustration in each of the six ads in the campaign was dominated by the same attractive girl, but with a different male escort and a different on-route city featured in each. Said James Austin:

We plan a seventh ad showing the girl with all six escorts. The idea, of course, is that the gal gets around--via Capital Airlines, naturally.¹

The magazine version of the advertisements featured the use of black and red in the prominent Capital logo, and stressed a single copy point, such as "The Treat is Hours," or "Hours to Enjoy," while the puns were played down and the cities emphasized in the newspaper series.

Other Media.--Capital also spent money for direct mail, radio and television spot announcements, outdoor boards adjacent to airports, and promotional material. In addition, it continued to close ties with travel agents, supplying them with newspaper mats, art, and suggested copy. Capital might have even paid for this co-op advertising, were it not for a government regulation limiting airlines in this area.

Capital Becomes a Medium.--In addition to buying advertising space, Capital sold it, being one of the few airlines to offer space on timetables and ticket envelopes. The reason, according to advertising manager Joel Daniels: "It's just our way of keeping that all-important cost-of-acquisition of passengers to a minimum."²

¹Ibid., p. 22.

²Ibid., pp. 15, 22.

The Viscount Campaign

Slim Carmichael had said the Viscount "sells itself,"¹ but in envisioning the plane's role in lifting his airline to first place in progress and prestige, he left nothing to chance. Capital and its agency, Lewis Edwin Ryan, were to build a fully-integrated promotion campaign that couldn't help but make the name "Viscount" practically a household word, and to assure success the airline would spend \$500,000 on it.²

The Kickoff.--Although Viscount service was programmed to start on April 1, 1955, the first promotion piece heralding the event was mailed to all Capital employees on August 11, 1954. The same brochure was mailed to 100,000 prospects in October, and an additional 150,000 copies were made available at Capital ticket counters and in flight kits aboard all Capital planes.³ The piece was entitled "A New Concept in Flight," which also happened to be the theme for the campaign that was to follow, and in it Carmichael wrote:

History was made . . . when Capital announced its purchase of 40 Rolls-Royce powered propellor turbine Viscounts, with a further option on 20 additional Viscounts.⁴

The brochure went on to describe Viscount as having "an ease and comfort in flight that transforms air travel . . . something more than a race against time."⁵ A cutaway Viscount engine was illustrated in the center spread, along with a

¹Aviation Week, June 14, 1954, p. 17.

²Hughes, Sales Management, November 1, 1954, p. 56.

³Ibid., pp. 56, 58, 60.

⁴Ibid., p. 58.

⁵Ibid.

description of its main attributes--few moving parts, no reciprocating action, and little jolt or friction. It was also pointed out that on a 24,000 mile round trip flight between London and New Zealand, a Viscount used less than one pint of oil.

The Print Campaign.--Perhaps the most ambitious schedule ever run by Capital Airlines involved advertising Viscount to the trade. Plate XI illustrates a typical two-color ad placed in thirteen trade publications encompassing travel, advertising, and marketing. In addition, local "commerce" papers in six key cities received four full-page ads over the six-month period--all of them featuring the headline, "A New Concept."

A series of two-column, two-color advertisements was scheduled for Time, Newsweek, and Business Week, beginning in January.

Weekly newspaper insertions were planned for dailies in the eight markets that were to receive Viscount service initially, and were scheduled in the following order: 1200, 450, 249, and 1200 lines. The starting date of this phase of the campaign was staggered from city to city, so that at least one 1200-line size would be running each week.¹

The Broadcast Campaign.--There were two alternate plans for radio in the eight Viscount markets, with Capital purchasing either morning news programs or 60-second spot announce-

¹Ibid., pp. 58, 60, 62.

A New Concept in Flight



The powerful Capital Viscount* is the first and only modern propeller aircraft to combine swiftness with the highest degree of silence and smoothness. The four Rolls-Royce propeller turbine (turbo-prop) engines introduce the traveler to an ease and comfort in flight that transforms air travel into something more than a race against time. Panoramic picture windows . . . individual tables . . . air-conditioning and pressurization . . . contribute to this new kind of luxury.

The Viscount, which comes to Capital with over one hundred million passenger hours of safe operation, will be serving Capital cities soon. Watch for the announcement!

* Pronounced Vi-Count

Capital Airlines
VISCOUNT

POWERED BY



ROLLS-ROYCE

SWIFT, SMOOTH, SILENT, SURE

ments adjacent to these programs. Television was utilized via 20-second spots adjoining Class A network programs.

The Outdoor Campaign.--Capital erected three-dimensional painted boards adjoining airports in the eight Viscount introductory markets. The boards, telling of the impending arrival of Viscount service, were to be repainted to coincide with the actual launching of service.

Other Promotion Media.--Capital saturated the transportation market with an assortment of promotion pieces and exhibits that could scarcely be avoided. Among the items made available to all who requested them, were medallions (for use by Viscount users all over the world), model Viscounts with wing spans up to eight feet ("for the use of all who would like to make them a symbol of their progress"), and even movies. The latter, a 20-minute, 16-mm color film aptly entitled "A New Concept in Flight," was released in November to Capital's district people for showings to business and service clubs, and hopefully, for showing on television. The film, which was prepared largely by Capital's own cameraman, concentrated on the craftsmanship of Vickers and Rolls-Royce.

Every two months, Capital planned to distribute 100,000 copies each of three different folders, dealing with the Rolls-Royce engines, the passenger features, and the over-all performance of the Viscount.¹

¹Ibid.

Eventually, the Viscount found its way onto Capital's letters, postage cancellations, timetables, ticket envelopes, baggage stickers, matchbooks, post cards, playing cards, and souvenir coins.

In addition to reaching the general public, Capital made its district sales managers responsible for submitting lists of key prospects--including city leaders, businessmen, advertising agency and public relations executives, representatives of the press, industrial traffic managers, and travel agents.

Capital also scheduled Viscount demonstration rides for business and sales executives, inasmuch as they accounted for 85% of the airline's passenger volume.

Tie-In Promotions.--Capital demonstrated in 1950 that it had a way with suppliers when it succeeded in enlisting their aid in promoting the Constellation, and in 1954 the airline decided to try the same thing with Viscount. Vickers-Armstrongs led the way through its advertising agency, McCann-Erickson, and Rolls-Royce joined forces by providing Capital with a full-size cutaway of its Dart turboprop engine. The airline promptly mounted it on a 45-foot truck-trailer and sent it on a tour of hotels, air shows, and airports. And just in case the engine wasn't enough to attract the curious, Capital sent along a hostess to explain the turboprop's simplicity and hand out brochures.¹

¹Ibid., pp. 60, 62.

The list of U.S. suppliers who jumped on Capital's Viscount bandwagon soon topped 100, and among them were names such as Bendix, Collins (aviation radio equipment), Esso (lubricating oils), Simmonds (fuel gauges), and Thermix (airliner seats). Leaving no stone unturned, Capital even asked fashion people to take advantage of "The New Concept," with the result that Viscount brand luggage, cosmetics, and cigarettes were being considered for manufacture.¹

The Stage Was Set

Capital had apparently done all in its power to smooth the way for Viscount, gambling everything on a "New Concept" theme that stressed the smooth, silent comfort of the Viscount and its Rolls-Royce engines. And in Capital's scheme of things, the engines were an important selling point, as noted by Lawrence Hughes in Sales Management in 1954:

Boeing's jet transport, the 707, still is in testing stage Passengers get moral support from the presence of propellers, Jim Austin shows, and Capital will emphasize that the Viscount is not a jet The name Rolls-Royce on the inward side of each engine nacelle should help, too.²

Had Capital Airlines unwittingly disavowed itself of the title "America's First and Only Jet-Powered Airline"--and of all the prestige and, possibly, all the customers that would have gone with it? The imminent arrival of the jet age would soon provide an answer.

¹Ibid., p. 60.

²Hughes, Sales Management, November 1, 1954, p. 58.

CHAPTER VII

THE YEAR OF THE VISCOUNT: 1955

Capital Airlines had geared its entire Viscount campaign to hit full throttle by Introduction Day--April 1, 1955. But something happened, and for reasons not to be unearthed anywhere, Viscount service did not begin until July.¹

Marking Time

Rather than standing around looking embarrassed at its Viscount-less fleet, Capital kept in the news by making statements. In one of them, the airline announced that it had decided to exercise its option for twenty additional Viscounts, bringing the grand total purchased to sixty, and all without ever knowing whether the airplane would be a hit in the United States.² Four years later, Business Week would declare the decision a "big miscalculation in the face of fast-approaching competition from other jets."³ It seemed like a good idea at the time, however, and Capital was obviously unconcerned about having its bill from Vickers raised to a staggering \$70.2 mil-

¹"Viscount Traffic Gains," Aviation Week, August 8, 1955, p. 102.

²Staver, Aviation Week, July 18, 1955, p. 111.

³"Airline Catching Up with Itself," Business Week, October 17, 1959, p. 115.

lion, all of it to be paid back in the original five year period--something unheard of in airline circles.¹

Slim Carmichael was the first to admit that he was taking a great risk in staking everything on a piece of equipment unknown to the domestic air traveler, but he confidently predicted that the future of Capital and its Viscounts was one of unlimited horizons:

Capital is going to be the best airline in the world; we're not worried about being the biggest. The corporate future as well as my own rests squarely on the Viscount. We are either awfully wrong or awfully right, and I think we were right, in buying 60 Viscounts.²

On the subject of recent changes in equipment by his major competitors (American, Eastern, TWA, and United), Carmichael had this to say:

Their DC-7's and Super Constellations have been hitting us pretty hard. By throwing their best at us it is fairly indicative that they recognize Capital's competition which we take as a compliment. We can and will cut schedules to flying times unsurpassed by any other equipment presently in commercial use. Passenger comfort features of the Viscount will make the final difference.³

Carmichael might not have realized it at the time, but his reference to "other equipment presently in commercial use," would come back to haunt him.

Introduction Day At Last

After what must have seemed an interminable wait, Viscount service finally arrived. A Capital Airlines press release recalled the historic day in graphic, if not wholly

¹Ibid.

²Staver, Aviation Week, July 18, 1955, p. 111.

³Ibid.

modest, terms:

One of the most significant and far reaching developments in commercial aviation history in this country, since the days of the Wright brothers, was touched off by Capital on July 26, 1955.

American air travelers entered the Jet Age of commercial flight for the first time on that date, on the wings of Capital's first scheduled jet-prop Viscounts between Washington and Chicago.¹

It wasn't too long after Slim Carmichael cut the ribbon signaling the first Viscount to roll down the runway at Washington National Airport, that Capital dubbed the plan "an overnight success."² This was true enough during the first ten days of operation, when load factors averaged 82%, compared with the Constellation figure of 60%.³ It also prompted Carmichael to say this:

The ship exceeds anything we had hoped for. The passengers come up after a flight and begin to sell us on the Viscount all over again. We're just tickled.⁴

But there was one question still to be answered: Was the Viscount's immediate popularity attributable to what Carmichael called "a new, exciting airplane that has lots of sex appeal"--or was it merely a novelty that would diminish with time and competitive equipment?⁵

The answer would not come in 1955, for Capital was to

¹Capital Airlines press release, "Biography . . .," p. 5.

²Ibid.

³Aviation Week, August 8, 1955, p. 102.

⁴"The First Viscount," Time, August 8, 1955, p. 76.

⁵Staver, Aviation Week, July 18, 1955, p. 111.

have only eight Viscounts in service by the end of the year instead of the anticipated twenty, and they would account for only 3% of total mileage flown by the carrier.¹

Aircoach Downgraded

Perhaps spurred on by its new competitive weapon, Capital Airlines in 1955 "turned against aircoach service in seeking new revenues, although the carrier was a pioneer operator of coach services."² Carmichael was bitter over the evolution of aircoach service into nothing more than reduced-fare transportation that diverted standard-fare passengers, and hinted that his airline would do nothing to further the expansion of this service. He said, in fact, that the ultimate solution to the drain on first class travel volume would have to be a reduction in first class fares.³

Charters Not Forgotten

If Capital was out of the aircoach derby, it was running stronger than ever in the special events race. The newest wrinkle was a "Show Plane" trip to New York, offered to the people of Pittsburgh in October.⁴ For \$89.13, a theater-goer was entitled to three days in the big city, with all expenses paid except meals; orchestra seats to four

¹Capital Airlines, Annual Report: 1955, pp. 1, 9.

²Staver, Aviation Week, July 18, 1955, p. 111.

³Ibid.

⁴"Capital Promotes Theatre Charters," Aviation Week, November 21, 1955, p. 111.

Broadway shows, selected by the drama critic of the Pittsburgh Post-Gazette; a get-acquainted cocktail party for passengers and some of the stars of the shows they would see; and a room at the Statler Hotel.

Capital arranged everything--transportation, hotel, and the program of events--but between these events, the group was on its own. The airline also gave passengers the option of remaining in New York on their own, beyond the three-day package trip, and one-third of them took advantage of the offer. In fact, reaction of the 180 adventurers who were lucky enough to get on board the first three DC-3 tours was so good, that Capital began laying plans for a year-round program in additional markets.¹

Route System Improvements

Capital's long-standing route handicaps were relieved somewhat in 1955 by CAB rulings. The request for an equipment interchange with Continental Airlines was given initial approval, thus opening the door to Denver and the southwest--but, cautioned Time magazine, "Capital is still too small and too busy battling for its share of eastern air travel markets to make much headway in the transcontinental business for some years."²

Other victories gave Capital new routes, and relaxed restrictions on existing routes. For example, the carrier

¹Ibid.

²Time, August 8, 1955, p. 76.

was now permitted to fly nonstop on its New York-Chicago and New York-Detroit routes, it was given unrestricted turn-around privileges between New York and Pittsburgh, and Atlanta was added to the New York-Pittsburgh-New Orleans run.¹

New routes were approved from Detroit to New York (via Buffalo and Rochester), New York to New Orleans, and New York to Memphis.² CAB had two reasons for awarding these routes to Capital, the first of which was a belief that Capital's regional nature would allow it to provide better service than transcontinental carriers. The second reason, one easily open to conjecture, was a belief that Capital's primary interest lay in the short-haul markets.³

Slim Carmichael, who had called the route system "the last problem facing Capital," had finally made some headway in doing something about his company's "acute need to strengthen our present marginal short-haul operations" by the acquisition of new routes, and in achieving "competitive equality" by having restrictions lifted and extensions granted on existing routes.⁴

Capital was still far from satisfied, however, and continued to press for extensions to Houston, Dallas, and Fort Worth, and access to the rich Florida market.⁵ On the latter

¹Capital Airlines, Annual Report: 1955, p. 14.

²Ibid.

³Craig Lewis, "Capital Wins East-West Nonstop Routes," Aviation Week, September 12, 1955, p. 139.

⁴Staver, Aviation Week, July 18, 1955, p. 111.

⁵Ibid.

case, Capital had this to say:

The company has an historic participation in the generation of this Florida traffic as a result of its interchange operation with National and because of the large volume of interline business Capital had developed over the years between Capital's cities and Florida points. . . . In addition to meeting . . . public need, the certification of Capital into Florida would provide Capital with winter traffic to offset seasonal declines and would materially strengthen the company with long-haul markets.¹

The Financial Strain of Viscount

Shortly after negotiating the deal with Vickers in 1954, Slim Carmichael said: "The Viscount will be the most profitable plane we ever operated."² His confidence was not reflected in the company's financial ledger for 1955, however, partly because of the small amount of total passenger miles the eight Viscounts were able to fly from July through December. Another factor was the astronomical costs incurred in absorbing the Viscount into the Capital fleet. The airline insisted that the actual introduction presented fewer problems than normal, but did not attempt to minimize the expense involved in training flight crews and ground and maintenance personnel, and in retooling and providing special facilities.³

Capital offset part of the cost by selling seven DC-3's to United States Steel and then contracting to service them.⁴

¹Capital Airlines, Annual Report: 1955, p. 15.

²Time, June 14, 1954, p. 102.

³Capital Airlines, Annual Report: 1955, p. 12.

⁴Hughes, Sales Management, November 1, 1954, p. 60.

The carrier also netted nearly \$4 million by engineering a swap of Constellations with British Overseas Airways. Capital owned five Model 049's and seven Model 749's, which were identical in size and speed in the medium ranges, but which had differing power plants. The resulting duplication in parts, engines, and equipment was remedied when Capital swapped its seven 749's for seven BOAC 049's, thus satisfying the latter's need for the longer-range capabilities the 749's power plant offered.¹ The first exchange took place in 1954, and the remaining six in 1955.²

A third equipment transaction, made possible by steady delivery of Viscounts from England, involved the sale of eleven DC-4's.³

An Elusive Advertising Schedule

A dearth of information about Capital's advertising activities after the introduction of Viscount precludes any discussion of the 1955 campaign, but the four-color advertisements appearing in Plates XII and XIII are probably typical of the year-end campaign.

In any event, it had been a busy year indeed for Capital, what with selling, swapping, and servicing its old planes--and introducing a brand new one. But it was time to look toward 1956--the first full year of operation for Capital's Viscount.

¹Capital Airlines, Annual Report: 1954, p. 9.

²Capital Airlines, Annual Report: 1955, p. 9.

³Ibid., p. 5.



THERE'S A NEW SOUND IN THE SKY...

It's the distinctive sound of the VISCOUNT — *world's first turbo-prop airliner!*
 Powered by four Rolls-Royce engines and proved by over a billion passenger miles,
 this quieter, smoother airliner marks the advent of a new age in flight.

*Now you can enjoy this new concept in flight between
 Chicago, Pittsburgh, Washington, Norfolk . . . Expanded service soon!*

Capital
 AIRLINES



TO THE MAN WHO'S NEVER FLOWN . . .

Let the VISCOUNT be your introduction to air travel . . . for here is the ultimate in swift, smooth, quiet flight. You'll be flying the world's most modern airliner, powered by four Rolls-Royce *turbo-prop** engines and proved by more than a billion passenger miles. The quiet elegance of the VISCOUNT is preferred by experienced travelers everywhere.

*Jet-Prop

Capital
AIRLINES

Fly the Capital Viscount from—

Chicago, Detroit, Cleveland, Pittsburgh, Norfolk, Washington, New York.

CHAPTER VIII

THE IMPACT THAT NEVER CAME: 1956

Viscount's Early Surge

The Viscount was an instantaneous success when it went into service in July, 1955, and for a time it threatened to knock everything else out of the skies in 1956. Capital reported, for example, that business on its busy Chicago-Washington route tripled when the turboprop replaced the Constellations, and traffic was up from 74% to 124% on three other important routes.¹

All costs included, the Viscount had a break-even load factor of 56.8%, almost ten percentage points lower than for the Constellation, but six points higher than had been predicted.²

By March, Capital had taken delivery on fifteen Viscounts,³ and had placed ten into service.⁴ There would have been eleven but for the fact that in February, the landing gear on one of them collapsed as the plane touched down. No one was injured, but it was feared that the 1,500-foot skid

¹"Capital Buys," Time, July 23, 1956, p. 71. ²Ibid.

³Capital Airlines, Annual Report: 1955, p. 12.

⁴"Capital Checks Gear Switches on Viscounts," Aviation Week, March 5, 1956, p. 79.

down the runway had damaged the plane beyond repair. Among other things, the accident left Capital without a spare Viscount to use in emergencies.¹ But more than that, the accident seemed to be an omen of Capital's own skid to the edge of financial disaster.

The Competitive Squeeze Was On

Starting in April, Capital became involved in a series of equipment transactions, near-transactions, and alleged transactions that started the airline industry buzzing once again.

More Viscounts

The first of these alleged deals was uncovered by Time, which reported that Slim Carmichael had flown to London in April, 1956, for the purpose of spending another \$18 million for fifteen more Viscounts.² This would have brought Capital's turboprop fleet to seventy-five--would have, because the transaction was never carried out.

Another Look Toward England

Capital's 1956 annual report summed up the competitive situation thusly:

The public acceptance of Capital's jet-prop Viscount initiated a reappraisal of equipment programs by the entire domestic air transport industry. Shortly after Capital's introduction of the Viscount, orders were placed by practically all competitive airlines for jet-prop or jet aircraft. Capital was no exception.³

¹ Ibid. ² Time, July 23, 1956, p. 71

³ Capital Airlines, Annual Report: 1956, p. 12.

Capital had, by its own admission, been caught in its own trap--one in which the Viscount turned out to be both a blessing and the forerunner of future troubles:

This is not contradictory, because it was the popularity of this sleek plane that spurred other airlines to purchase the new jets and prop-jets which later compounded the problems Capital had begun to experience.¹

Faced with future competition from Lockheed's turboprop Electra, and pure jets like the Douglas DC-8, Boeing 707, and Convair 880, Capital again turned to England for the answer.

The Britannia.--Slim Carmichael apparently went shopping for more than Viscounts on his April trip to England, for Aviation Week reported in May that Capital was negotiating with the Bristol Aeroplane Company for fifteen of its 100-passenger Britannia turboprops. The airline had also looked at the Vickers Vanguard, another long-range, large-capacity turboprop, but chose the Britannia because first deliveries could be made within a year--thus giving Capital a good jump on forthcoming Electra service.

In return for the \$50 million Capital would pay for its fifteen Britannias, Bristol would set up a parts depot in New York or Washington and make available its flight and ground crew training schools.²

The deal was so close to completion that Bristol was already making plans to send a Britannia on a tour of the

¹Capital Airlines press release, "Biography . . . ,"
p. 6.

²William Coughlin, "Britannia Challenges U.S. Jet Airlines," Aviation Week, May 28, 1956, p. 44.

United States during the coming summer.¹ Capital did some hard thinking, however, and by July had decided it would be folly to invest in more turboprops when, at best, they would be only an interim step to pure jets.² Other reasons for Capital's sudden about-face were the competition it would soon be facing from Convair's Golden Arrow medium jet, and the engineering difficulties still to be ironed out of the Britannia.³

The Comet.--Capital ended all speculation in July, when it announced the purchase of fourteen de Havilland Comet IV pure jets for delivery in late 1958 and 1959. Slim Carmichael pointed out that by introducing Comet service to the public early in 1959, Capital would maintain its lead in the equipment race by entering the jet age from six to twelve months ahead of the competition.⁴ In his own words:

We now have the lead in the United States with Viscount. Lockheed's Electra will offset that when it goes into operation and we will need something to get that lead back.⁵

Actually, there seemed to be three reasons why Capital settled on the British jet: (1) Capital had scored with its British Viscounts, (2) no American aircraft manufacturer could match de Havilland's delivery dates,⁶ (3) the Comet would

¹Ibid.

²Craig Lewis, "Capital Orders 14 de Havilland Comets," Aviation Week, July 30, 1956, p. 41.

³"Capital Negotiates for Comet, May Buy 15," Aviation Week, July 23, 1956, p. 38.

⁴Lewis, Aviation Week, July 30, 1956, p. 40.

⁵Aviation Week, July 23, 1956, p. 38.

⁶Ibid.

be more economically sound for Capital's route structure than any American-built jet.¹

The de Havilland people were understandably pleased to have Capital's business, since up to that time BOAC had been its only Comet customer, with nineteen on order.² Not only would the Capital sale put de Havilland into the international market, it would also be a vote of confidence for the plane itself. The Comet I, which had been in commercial operation since the early '50's, was withdrawn from service in 1954 after a phenomenon known as "metal fatigue" caused two of them to disintegrate in mid-air. Comet IV, de Havilland insisted, was tested at standards "higher than those for other aircraft"--which obviously was good enough for Capital Airlines.³ In fact, Slim Carmichael said that research and design modifications had made Comet IV "without question the safest plane we could operate."⁴

Capital was eventually forced to cancel its order of Comet IV jets because of mounting financial problems, but the airline's desire to buy them raises an interesting point. Capital had selected Comet IV over the twin-jet French Caravelle, which was rejected on the grounds that the public was sold on the idea of four-engine planes.⁵ On the other hand, the airline's faith in Comet IV was expected to indicate

¹Lewis, Aviation Week, July 30, 1956, p. 41.

²Ibid., p. 40.

³"Comets for Capital," Newsweek, August 6, 1956, p. 80.

⁴Lewis, Aviation Week, July 30, 1956, p. 40.

⁵Ibid., p. 41.

to the world that Capital had studied the effects of the two disasters on the plane's reputation, and had rejected them as having little influence on passenger potential.¹ As it has turned out, however, the Caravelle has become quite popular in this country, flying the very routes Capital served, and it might have met with less passenger resistance than the disaster-plagued Comet.

Unaware that it would never take delivery on its Comet jets, Capital proceeded to make plans for absorbing them into the fleet. The planes, which would give Capital high speed and economical performance over short-haul routes, would cut present flying time in half. Initial service, however, was planned for two of the carrier's longer, more profitable routes--Washington-Chicago and New York-Chicago.

As with the proposed Britannia deal, de Havilland was prepared to give Capital something more than just planes in return for the \$53 million it was spending.² Terms of the contract called for pilot training at de Havilland,³ and establishment of a parts depot in New York or Washington.⁴

A Bad Year Financially

While Capital's judgment in buying the British Comet IV

¹Aviation Week, July 23, 1956, p. 38.

²Lewis, Aviation Week, July 30, 1956, pp. 40, 41.

³Ibid., p. 41.

⁴Aviation Week, July 23, 1956, p. 38.

may be questioned, there can be no doubt that it gave a boost to the future of the commercial pure jet. At the same time, however, it could be regarded as a blow to the turboprop, "because Capital has gained position as a leader in that field due to its success with Viscounts."¹ In any event, the carrier took the plunge into pure jet flight at just about the time its Viscounts had marked their first anniversary of service. Perhaps some of the statistics on Viscount performance had triggered the sudden interest in jets.

During their first few months in the air Capital's Viscounts had an 85% load factor, but by the end of the first year in service, the figure had dropped to 70%.² This was still a good showing in comparison with the industry-wide figure of 64%,³ but it wasn't enough to keep the carrier from losing \$1.6 million during the first six months of 1956, compared with a net profit of \$3.5 million for the first half of 1955.⁴ Capital attributed \$850,000 of the loss to "extraordinary costs" involved in integrating the Viscount into the fleet.⁵

Year-end figures were even more dismal. By this time, Capital had fifty-four Viscounts, and cheerfully reported that the plane not only was maintaining its leadership in established markets, but was rapidly developing new ones.⁶

¹Ibid. ²Time, July 23, 1956, p. 71. ³Ibid.

⁴"Capital Reports Loss for First Six Months," Aviation Week, August 20, 1956, p. 45.

⁵Ibid. ⁶Capital Airlines, Annual Report: 1956, pp. 9, 10.

The airline's financial ledgers did not reflect this enthusiasm, however, as the company suffered the highest operating loss in its history--\$2.8 million.¹

Capital offered many reasons for its poor showing in 1956: (1) the cost of phasing-in Viscount, which now accounted for 44% of total mileage flown for the year, (2) delays in delivery of additional Viscounts, (3) the air traveler's bewilderment over rapidly changing schedules--caused by the influx of new Viscounts, (4) the cost of establishing new markets where Capital had no immediate customer recognition, (5) "unusually poor flying weather."²

Related factors were a steel strike (which hurt Capital more than others because it served most of the major steel processing centers in the country), and the mid-air collision over Grand Canyon on June 30. Capital was not involved in the disaster, but claimed that its load factors were depressed for two months afterward because other means of travel were readily available over its short-haul route system.³

The Advertising Budget

Capital's advertising expenditures for 1956 were up by \$834,000 over the preceding year,⁴ to a total of \$2.1 million.⁵ The carrier ranked fifth in advertising expenditures among all

¹Capital Airlines, Annual Report: 1959, p. 13.

²Capital Airlines, Annual Report: 1956, pp. 2, 5-8.

³Ibid., pp. 6, 7. ⁴Ibid., p. 11.

⁵Hughes, Sales Management, October 4, 1957, p. 73.

trunk lines in 1956,¹ and seventh in total newspaper lineage.² Between 1951 and 1956 Capital doubled its advertising budget, with expenditures for promotion and other expenses growing at a rate eight times faster than the outlays for space costs.³ It is interesting to note that during this same period, the carrier's total operating revenues increased by only two-thirds.⁴

¹Ibid.

²Robert B. McIntyre (ed.), "Airlines Outdistance Rail-Roads on Linage," Editor and Publisher, July 27, 1957, p. 17.

³Hughes, Sales Management, October 4, 1957, p. 73.

⁴See Table 1 of Appendix.

CHAPTER IX

THE VISCOUNT BUBBLE BURSTS: 1957

The Slide Continues

A chain reaction of events in 1957 left Capital Airlines in a state of turmoil, its future about as uncertain as anything could be. The sharp downswing of 1956 continued into the new year, and with losses mounting, Capital sought to halt the skid and perhaps reverse it by petitioning CAB for a more liberal Family Fare plan. Under the existing plan, each family member could fly for half fare when the head of the family purchased a full price ticket for himself--but the bargain rates were in effect only from Monday through Thursday, and Capital felt the inclusion of Saturday would help divert some of its overflow Friday traffic. The carrier's position was apparently deteriorating so rapidly, that although its petition was opposed by the CAB examiner and competing airlines, it chose to begin service March 30--without waiting for CAB's final decision.¹

The slide downward continued to gather momentum, however, and in May the company announced that heavy first quarter losses had forced postponement of its orders for fourteen

¹"Denial of Capital Family Fare Plan Recommended by CAB Examiner," Aviation Week, April 22, 1957, p. 47.

Comets and fifteen more Viscounts--orders that would never be filled.¹

In June, Slim Carmichael informed CAB that his company could not expand any of its markets without more Viscounts, but that current financial difficulties precluded additions to the fleet.² Moreover, Capital's inability to find buyers for its aging Constellations and what remained of its DC-4 fleet, cost the airline an estimated \$1 million in 1956 alone.³ The irony was that had Capital been successful in disposing of these planes, it would have been faced with a serious equipment shortage.

Viscount Under Fire

The trap that Capital Airlines had fashioned with Viscount was now closing tightly around it. The competition had brought in its big guns--the Super Constellation and DC-7--and had placed them against Viscount on Capital's highest volume routes. The immediate result was a seating disadvantage for Viscount, which carried only 44-48 passengers, compared with the 60-90 capacity of the newcomers.⁴

Viscount was also in trouble from an engineering standpoint. For one thing, the cabin-conditioning equipment that

¹"Capital Defers Comet Order," Aviation Week, May 13, 1957, p. 39.

²L. L. Doty, "Capital Sees \$2.5 million Loss for '57," Aviation Week, June 24, 1957, p. 42.

³"Double Trouble," Time, December 9, 1957, p. 100.

⁴Ibid.

came with the plane failed to provide enough cool air on the ground in hot weather, or enough heat in cold weather. For another, the plane experienced braking problems with the light copper linings it had substituted for the original steel linings. Both problems were eventually solved,¹ but probably not before untold numbers of customers had gotten off the Viscount muttering nasty things about it.

The Viscount was also reported to have been plagued by landing gear malfunctions, but Carmichael denied it:

Despite the rumors, we have had no trouble with our landing gear. It's not the fault of the airplane when the pilot lands with the landing gear retracted.²

It would be hoped, for Capital's sake, that this statement never reached the public.

Slim Carmichael was also visibly disturbed by alleged attacks on the merits of Viscount by competitors:

Since the first arrival of the Viscount in June of 1955, its operation has been subject to the most vicious and unethical attacks on a continuing basis concentrated on places that the attackers thought would do the most harm. I was thoroughly shocked and disturbed by these attacks when I first learned of them and still am I want to say here and now that neither Capital nor I as president, will ever lend ourselves to this type of program used against us. We will never employ such unethical tactics.³

Carmichael claimed that at least one competing carrier, which he declined to identify, went so far as to use an airliner's public address system to disparage Capital's Viscount. He quoted one pilot as telling this to his passengers:

¹James Dailey, "Capital President Says Viscount Slandered by Competing Airlines," Aviation Week, April 15, 1957, p. 43.

²Ibid.

³Ibid.

"Look sharply now and you'll see us fly past the Viscounts. If you want dependable service, steer clear of Viscounts."¹

In the face of mounting criticism, Carmichael also felt obliged to defend his original decision to buy Viscounts. He said the plane was the best possible one for the carrier, and though it could not match the speed of the DC-7 at ideal altitudes, "gate to gate we're better because we're easier to operate and more maneuverable."²

On the subject of operating costs, Carmichael had this to say:

The Viscount is a good airplane and we're not going to go broke operating it. We fly DC-3's, DC-4's and Constellations and we didn't make a profit on any airplane but the Viscount.³

The operating range of the plane, highly publicized as 1,500 miles when Capital bought it, also came under fire. Suddenly, Carmichael was saying the ideal operating range of Viscount was 600 miles, and that it could do 750 miles without difficulty. Capital's longest route was 1,000 miles, but this didn't seem to bother Carmichael:

We didn't buy them to operate any longer that [700 miles] . We'd just as soon land at Pittsburgh and refuel than wait for hours in a stack over New York.⁴

The preceding statement was made in April. Two months later, Carmichael appeared to have changed his mind about the desirability of stops such as Pittsburgh:

The short-haul is the curse of Capital. I think we have reached the end of our rope without some change in our route structure.⁵

¹Ibid.

²Ibid.

³Ibid.

⁴Ibid.

⁵Doty, Aviation Week, June 24, 1957, p. 42.

The Management Muddle

As it turned out, Capital hadn't quite reached the end of its rope--but Slim Carmichael had. In July, 1957, Capital board chairman George R. Hann brought in retiring Air Force Major General David H. Baker to succeed James H. Carmichael as president and chief executive officer of the airline. Hann then vacated his chairmanship to Carmichael, and was elected chairman of the executive committee, replacing board member Charles Murchison. Board Chairman Carmichael was to continue the functions he had as president--that is, directing head of the airline, in charge of all policy matters. Baker, meanwhile, would be responsible for all operations activities. Capital said the move was made to strengthen management and expand the organizational structure to meet the challenge of the jet age--but for Slim Carmichael, it was the beginning of the end.¹

General Baker, a graduate of West Point and Harvard School of Business,² had no previous experience as an airline executive. But he had served since 1953 as director of procurement and production for the Air Materiel Command, where he gained prestige as a financial man, according to Forbes magazine.³

Baker's appointment to the Capital post came only after an internal power struggle that saw Hann and Murchison throw

¹L. L. Doty, "Gen. Baker Assumes Capital Presidency," Aviation Week, July 29, 1957, p. 39.

²Ibid., p. 40.

³"Washington Merry-Go-Round," Forbes, August 15, 1958, p. 33.

their support to Baker.¹ Murchison, who continued as a board member and legal counsel to the airline after Hann succeeded him as chairman of the executive committee,² was to figure in another power struggle before long.

New Management--New Agency

The shift in management signaled the end of Capital's twelve-year relationship with its advertising agency, Lewis Edwin Ryan, with the account going to Kenyon & Eckhardt in October, 1957. Two immediate advertising objectives were then outlined for the agency.

The first objective was to get away from the sameness in airline advertising, with its supermarket type of copy approach, and to get the greatest possible selling power from small-space ads.

The second objective was to find a fast means of telling the public about the rapidly growing number of flights, and the speed of flights, in Capital's eastern markets.

During the next few months, Kenyon & Eckhardt was to be occupied studying competitive airline advertising in preparation for its first big campaign for Capital. At the same time, it was busy setting up shop in Washington to service the account.³

¹Ibid. ²Doty, Aviation Week, July 29, 1957, p. 39.

³"News Readers Given Ad-Games to Play," Editor and Publisher, July 19, 1958, p. 30.

A Salesman Departs

Capital had hardly begun making plans with its new agency when James Austin announced his resignation, effective at the end of the year.¹ As Capital's vice-president for traffic and sales, Austin had played an instrumental role in the carrier's climb back from the brink of disaster in 1947. He headed the introduction of Aircoach, directed the advertising and sales programs for the introduction of Viscount service, and was actively involved in Capital's acquisition of its turboprop fleet.²

L. L. Doty, writing in Aviation Week, viewed Austin's departure as having a significant effect on Capital's sales effort, since he "virtually dictated sales policy."³ His role as a "powerful force" in Capital's growth pattern during the decade from 1948 to 1957 was substantially reduced toward the end, due to a shift from emphasis on sales to emphasis on economy and efficiency, in the face of mounting financial losses.⁴

As an example of the tight budgets Austin had to work with--in the first half of 1957 Capital spent 65¢ per passenger for advertising and publicity, compared with American Airlines' figure of \$1.02 per passenger, which led Doty to comment:

¹Forbes, August 15, 1958, p. 33.

²L. L. Doty, "Executive Losses Pose Threat to Capital," Aviation Week, December 23, 1957, p. 28.

³Ibid.

⁴Ibid.

The wide spread in expenditures held Austin to less desirable outlets than those used by American but he, nevertheless, was able to sustain a continuous impact in his promotional campaigns.¹

Awaiting James Austin, whose resignation was seen as a permanent de-emphasis of sales department influence on Capital's operations, was the job of president of Northeast Airlines. He was joined twenty-four hours later by Nelson Fry, Capital's assistant vice-president for traffic, who would become vice-president of traffic and sales for Northeast.²

Austin denied the existence of internal management problems at Capital till the very end, but L. L. Doty had his doubts:

The threatened departure of [other] sales staff members is symptomatic of a morale problem that began when it became evident the Viscount was not the panacea it was expected to be.³

The Statistics Were Still Deceptive

The Viscount had turned out to be anything but a cure-all, but in the words of Capital's treasurer: "It's probable that, without the Viscounts, Capital would have died on the vine."⁴ On the surface, this statement seemed accurate. It was true that Viscounts now accounted for 74% of Capital's scheduled miles and 76% of its total revenues, that the average passenger journey was up from 342 miles to 383 miles (but still far below the industry average of 639 miles), and that the carrier's average ticket in 1957 was \$22.44, compared with

¹Ibid., p. 29.

²Ibid., p. 28.

³Ibid.

⁴Business Week, October 17, 1959, p. 116.

the trunk line figure of \$33.17.¹ It was also true, however, that while total operating revenues were up \$30.4 million over 1956, increased expenses all but wiped out the gains, and left an operating profit of only \$40,000.²

Route Applications Rejected

Capital suffered two major setbacks in 1957 in its attempts to strengthen its route system. The long-standing application for a Great Lakes-Florida route appeared to have been all but won when approval was recommended by the CAB examiner in the summer of 1957,³ but the award had been contingent upon the availability of new equipment to service the route, and Capital was hardly in a position to acquire such equipment. As a result, the examiner withdrew his recommendation in November,⁴ but suggested he would reinstate his original recommendation if Capital could come up with the necessary aircraft.⁵ Capital's dilemma was summed up by Time:

Without the planes Capital may not get the route, but without the route it cannot earn the money to buy the planes.⁶

Capital's second major setback came when CAB rejected its bid for a route extension to Puerto Rico.⁷

¹Capital Airlines, Annual Report: 1957, p. 5.

²Capital Airlines, Annual Report: 1959, p. 13.

³Glenn Garrison, "Capital Puts 880 Near Breakeven Point," Aviation Week, February 3, 1958, p. 40.

⁴Time, December 9, 1957, p. 98.

⁵Garrison, Aviation Week, February 3, 1958, p. 40.

⁶Time, December 9, 1957, p. 98.

⁷Capital Airlines, Annual Report: 1957, p. 14.

CHAPTER X

NEW ADVERTISING AND OLD PROBLEMS: 1958

It is doubtful that David H. Baker was envied by his contemporaries within the commercial airline industry, for he had just become head of a corporation that didn't know at the end of one day whether it would still be in business the next. Capital Airlines encountered more turbulence on the ground than its planes did in the air. Management was quarreling, dividing lines were drawn between major departments, the fleet was falling apart at the seams, the route system was a hopeless tangle of marginal-revenue operations, and the financial situation was growing more serious daily.

Convairs for Capital

General Baker had his work cut out for him as he began his first full year with Capital, and he wasted no time in taking corrective measures. On January 28, for example, the airline announced an agreement to purchase fifteen Convair 440 jets.¹ General Dynamics Corporation, whose Convair Division builds the 440, agreed to help Capital find money not only for the new planes, but for refinancing the \$48.5 million still owed on the Viscounts. General Dynamics was also ar-

¹Ibid., p. 13.

ranging the leasing of piston aircraft to help tide Capital over until delivery of the first 880's could be made in September, 1960. The aircraft manufacturer had gone out of its way to help Capital partly for selfish reasons, for the order for fifteen 880's would put Convair near the break-even point for the plane, but both parties also agreed that the sleek, 94-seat jet would give Capital the modern equipment it so desperately needed on all major routes. In addition, once the 880's were in service, the carrier's fleet of fifty-nine Viscounts would be freed for more efficient use on routes then being serviced by DC-3's, DC-4's, and Constellations.¹

Unfortunately, the entire Convair deal hinged on re-financing the Viscounts, and was canceled when General Dynamics failed to come up with a satisfactory plan.²

More Management Shifts

July, 1958, marked the end of an era for Capital Airlines. After twenty-two years with the airline, going all the way back to the days when it was known as Pennsylvania-Central, Slim Carmichael finally called it quits. Apparently, he could not take any more of David Baker's decisions.³

The board chairmanship that Carmichael vacated was to remain unoccupied for the remainder of 1958,⁴ but a new

¹Garrison, Aviation Week, February 3, 1958, pp. 40, 41.

²Business Week, October 17, 1959, p. 117.

³Forbes, August 15, 1958, p. 33.

⁴Capital Airlines, Annual Report: 1958, p. 2.

power struggle was in the making. George Hann, former board chairman and current executive committee chairman, was also the airline's largest shareholder. In the summer of 1958, however, he started decreasing his holdings, while former executive committee chairman Charles Murchison was increasing his. By July, Murchison owned 64,000 shares of Capital stock and replaced Hann as the largest stockholder.¹ The maneuver was significant enough for Forbes to conclude that Murchison had just become the new strong man behind the Capital scene, despite the fact that Baker was doing most of the talking:

Thus, whatever course Capital Airlines' fortunes take in the future may well depend on fast-rising, little-known Charlie Murchison.²

Still other realignments were taking place in Capital's executive ranks. Carmichael's departure was preceded by the resignation of three directors of the finance committee.³ One of them, Thomas Neelands, Jr., would be heard from again. A new face at Capital was Walter H. Johnson, Jr., who joined the airline after nineteen years with American and was named senior vice-president for marketing, a new position that apparently absorbed much of James Austin's former responsibilities.⁴ Other executives brought in by Baker included Marvin Whitlock, who also came from American Airlines and was named

¹ Forbes, August 15, 1958, p. 34.

² Ibid.

³ Ibid., p. 33.

⁴ Philip N. Schuyler, "Selling Air Travel to 91% Non-Fliers," Editor and Publisher, August 15, 1959, p. 17.

senior vice-president for engineering and maintenance, and M. J. van der Ploeg, a cost-control consultant from KLM Royal Dutch Airlines.¹ Meanwhile, James Austin's former assistant in traffic and sales, Read Chalfant, was named sales manager of the airline.²

Management Objectives

The newly-created marketing department that Walter Johnson headed was but one of many organizational changes David Baker made to accomplish his objectives. Departments were set up to coordinate route matters, handle corporate affairs, and formulate plans; a management council was formed to consider policies and decisions; and a budget committee and management analysis unit were established.³

In addition to the primary objectives of achieving financial stability and competitive equality, there was great concern for broadening the base of new business to match the increased seating capacity Viscounts had created. This was to be accomplished partly through development of personal and vacation travel.⁴ Capital also recognized that continued strengthening of its customer service was a necessity in the face of competitive pressures:

¹Business Week, October 17, 1959, pp. 115, 116.

²Capital Airlines, Annual Report: 1958, p. 2.

³L. L. Doty, "Baker Traces History of Capital Troubles," Aviation Week and Space Technology, October 31, 1960, p. 38.

⁴Capital Airlines, Annual Report: 1958, p. 16.

The quality of service to the customer . . . has become an increasingly important factor in achieving satisfactory traffic loads and retaining customer satisfaction.¹

It seems odd that with the emphasis Capital chose to place on "quality service," Baker decided to slash personnel by 13% in July, 1958.²

The Route Picture Brightens

Capital Airlines won a major victory when CAB reversed its earlier position and awarded the airline a Great Lakes-Florida route. In reporting the news to stockholders, the airline said:

With the Pittsburgh-Miami flight of 1016 miles and the Cleveland-Miami trip of 1084 miles, your Company joined several major airlines flying the Viscount non-stop for distances greater than 1000 miles thus utilizing the longer range characteristics of the aircraft.³

This was a curious statement, considering that Slim Carmichael's defense of the Viscount had been based on its efficiency under ranges of 750 miles. Even David Baker, who had no complaints with the Viscount per se, said in retrospect that it lacked the necessary range capability to be truly competitive.⁴

A Compromise on Fares

In 1957, Capital had petitioned CAB for a \$21.4 million subsidy for the 1957-1958 period, marking the first time the

¹ Ibid.

² Doty, Aviation Week and Space Technology, October 31, 1960, p. 38.

³ Capital Airlines, Annual Report: 1958, p. 11.

⁴ Doty, Aviation Week and Space Technology, October 31, 1960, p. 37.

carrier had to resort to subsidy since 1951.¹ At the same time, CAB was considering a request from Capital and six other airlines for a 6% fare hike to offset rising costs, with Capital and one other carrier asking for a \$1 charge per one-way ticket in addition to the fare increase. CAB turned down both fare request in 1957,² then reconsidered and granted a 4% interim increase, plus \$1 per ticket, effective February 10, 1958.³ Capital withdrew its subsidy request as a result of the fare increase, even though it felt the latter was too little and had come only after rising costs had adversely affected earnings.⁴ Capital's contention was borne out late in 1958, when most carriers dropped the long-standing round trip discounts and reduced the Family Fare plan savings from 50% to 33.3%, though neither move proved very effective in boosting revenue.⁵

A Fresh Approach to Advertising

One of the first objectives undertaken by Kenyon & Eckhardt after being awarded the Capital account in 1957 was a study of all competitive airline advertising. The carrier was determined to break away from what its new advertising director, Robert West, called "the normal airline

¹Time, December 9, 1957, p. 98.

²Capital Airlines, Annual Report: 1959, p. 7.

³Capital Airlines, Annual Report: 1957, p. 7.

⁴Ibid., pp. 9, 10.

⁵Capital Airlines, Annual Report: 1959, p. 7.

approach."¹ He said:

Most airline advertising--particularly in newspapers--tends toward a sterile sameness in copy and the use of airplane interior or exterior illustrations. To avoid this standardization requires more fundamental differences than merely a new airplane view or a different type face. Our goal has been to sell ideas about Capital air travel. This does not mean "offbeat" advertising that is unsound, but rather advertisements that are interesting, informative and individually distinctive.²

West pointed out that Capital Airlines had vaulted into its position as the world's sixth largest airline in the mid-fifties literally on the wings of Viscount, but that this rapid growth was not accompanied by public recognition of the size and scope of Capital's operation.³ He attributed the delay in public awareness to the problems created by Capital's sudden emergence as a major carrier:

Most airport facilities and downtown offices remained those of a small regional airline. Various customer services lagged behind those offered by Capital's competitors. The airline was big, but "looked" small, and the image of Capital ran far behind the image of the Viscount. Furthermore, Capital serves 11 of the top 15 metropolitan markets with a promotional budget that has ranged from 30 to 300% less than that of competing airlines.⁴

By mid-1958, Capital and its advertising agency were able to set forth some general objectives based on the carrier's competitive situation: (1) to create interest in Capital as a large, exciting, customer-minded, experienced jet-powered airline, (2) to improve the general reputation and image of Capital through creative and distinctive advertising in selected media, including national magazines, (3) to keep

¹ Capital Airlines, "Campaign Book," Commentary by Robert L. West, Director of Advertising, January 20, 1961.

² Ibid.

³ Ibid.

⁴ Ibid.

the regular business traveler continually informed of specific services of Capital Airlines.¹

The objectives were translated into a new advertising approach that broke away from Capital's traditional reliance on high visibility, high frequency, small-space newspaper ads. Commenting on the need for this new approach, West said:

In our judgment, small space is generally reminder advertising and could not provide the proper framework for a creative approach in presenting new ideas and influencing customers' attitudes toward Capital.²

Hourly Schedule Campaign.---The first campaign by K&E ran from April through June to announce the scheduling of hourly flights on three Capital routes. A "watch face" theme was incorporated into most of the ads as a means of conveying the message that Capital now had a lot more flights to offer on certain routes. Editor and Publisher said this about the campaign:

The Capital series in newspapers invites readers to cut in, as in a card game, and play copywriters to the ultimate end of knowing Capital and making reservations on its growing number of flights.³

This point is well-illustrated in Plate XIV. As with almost every other ad in the series, the number of watches shown corresponds with the number of flights offered.

Kenyon & Eckhardt reported that passengers were commenting favorably on the campaign,⁴ and Capital reported rising load factors on the routes involved.⁵ The carrier was obviously

¹Ibid. ²Ibid.

³Editor and Publisher, July 19, 1958, p. 30. ⁴Ibid.

⁵Capital Airlines, "Campaign Book," January 20, 1961.

WITH CAPITAL'S NEW, EXPANDED SERVICE...



Count how many
 more Viscounts go
 non-stop to
 New York on the
 half hour. Choose
 your flight now.

Answer: 15 non-stops at half past every hour all day long. Most frequent non-stop service of any airline. Every flight a smooth, swift jet-prop Viscount, flown by the world's No. 1 jet-prop airline. Relax on Viscount. Call your travel agent or Woodward 3-8900.

**VISCOUNTS NON-STOP WASHINGTON • PHILADELPHIA • MILWAUKEE • CLEVELAND
 MINNEAPOLIS/ST. PAUL • CHICAGO • BUFFALO • DIRECT TO ATLANTA • ROCHESTER**



World's No. 1 Jet-Prop Airline

unhappy with the slow but steady rate of improvement, however, and when scheduling and turn-around difficulties complicated the situation, the hourly service pattern was dropped in July, leading Bob West to remark somewhat bitterly: "We therefore cancelled a good campaign that had barely begun to reach its effectiveness."¹

Broadway Show Campaign.--Capital revived one of its old standbys in June--the packaged tour. The 1958 version resembled the "Show Plane" experiments of 1955, only now it was called "Hit Show Holiday." For \$26.25 plus air fare, the passenger was entitled to three days in New York via Viscount, hotel, choice of Broadway shows, and the option of paying for the whole trip on the installment plan. Plate XV illustrates the type of coupon ad that accounted for nearly one-third of all package tours sold by the airline between April and December in the six cities where they were offered.

V.I.P. Campaign.--Capital Airlines struck out in a completely new direction in the fall of 1958--the "luxury flight" market. A conclusion had been reached several months earlier that this type of service had become a permanent fixture, and that something had to be done to counter such offerings as American's "Captain's Flagship," Eastern's "Golden Falcon," and United's "Executive" and "Red Carpet" flights. Ironically, Capital the Innovator was about to become one of the last of the major airlines to offer the type of de luxe service that was luring away business on major routes.²

¹Ibid.

²Ibid.



Pick your plays here for
Capital's Hit-Show Holiday on Broadway



3 days in New York—\$26.25 plus Capital air fare

Includes hotel (per person, two to a room), theater and many extras.

Come on — let's get away for a 3-day holiday on New York's glamorous Broadway. You deserve it! And it's so easy on Capital Airlines' Hit-Show Holiday Plan. You pay as little as \$8.14 down, then only \$5.50 a month when you return.

What a wonderful season for playgoers! Capital's Hit-Show Holiday Tour includes your pick of rollicking musicals, light comedies or serious dramas. And choice seats to the shows you want to see are only the beginning.

Your low down payment takes you to New York and back on a jet-powered Capital Viscount. You stay in a luxurious hotel just a few steps from world-famous restaurants, theaters, entertainment centers. See the sights on an exciting tour. Nightclub dancing if you wish. Everything's arranged on your down payment. Start the curtain rising on a wonderful holiday. Call your

travel agent or send the coupon now for free information. P.S.: Try other Capital Fun Vacation packages to these fascinating places: Washington, Chicago, Williamsburg, New Orleans, and the Great Smoky Mountains!

America's largest jet-powered fleet



Capital Airlines, Your Dept.
 1248 Washington Blvd., Detroit 26, Michigan

WOchard 3-0000

Please send me FREE full information on these Capital Vacations:

- | | |
|--|--|
| ☐ Hit-Show Holiday | ☐ Washington, D. C. |
| ☐ Historic Williamsburg | ☐ Great Smoky Mountains |
| ☐ Romantic New Orleans | ☐ Chicago Holiday |

My name.....

Address..... Tel. No.....

City..... Zone..... State.....

A new luxury service posed some merchandising problems, however, and Capital was the first to admit it. For one thing, the competition had a good head start. For another, the basis of de luxe service was virtually identical among the other airlines, with steak, champagne, and free cocktails being offered on board. Capital kept these things in mind when it drew up its objectives for a luxury service: (1) a uniquely named service, (2) a new method of "packaging" or "merchandising" the de luxe features, (3) a program that would help all Capital flights, rather than just divert traffic from them.

The end product was called Capital "V.I.P. (for Very Important Passenger) Flights," and featured in addition to the usual steak and champagne, free flowers for the ladies, Dictaphones for use by businessmen on the go, and quick luggage service. By supporting the new service with advertisements like the one shown in Plate XVI, and other promotional material, Capital hoped not only to win back some passengers lost to rival luxury services, but to upgrade the airline's image as well. On the basis of three months operation, it appeared that Capital was well on its way toward reaching the first goal, at least, with the average load factor jumping from 60.7% in July to 84.5% in October.¹

Florida Market Campaign.--Capital service between the Great Lakes and Florida did not begin until December, 1958, but the advertising machinery was set in motion long before that. Four northern terminals were involved in the new ser-

¹
Ibid.



Old-fashioned service on America's most modern airline!



CAPITAL'S NEW V. I. P. FLIGHTS

No, no . . . don't reach for your wallet! We couldn't accept a penny more than the regular fare. To Capital, you're a Very Important Passenger . . . a man *entitled* to champagne, filet mignon, even flowers for your lady. At your command is America's quietest plane—the jet-powered Viscount. Want to work? Merely ask the hostess for a "Dictet" tape recorder. When you arrive, refreshed and contented, there's no wait for luggage. Next time you fly, we'd consider it a pleasure to serve a V.I.P. like you. Call your travel agent or Capital Airlines at STerling 3-3000.

Serving Chicago • Detroit
Milwaukee • Atlanta
Minneapolis/St. Paul • New Orleans

Capital
AIRLINES

SERVING CITIES EAST OF THE MISSISSIPPI WITH THE LARGEST JET-POWERED FLEET IN THE WORLD

vice--Rochester, Buffalo, Pittsburgh, and Cleveland--but Capital decided to concentrate its efforts in the latter two, where Eastern Airlines had operated with a monopoly for twelve years.

The strategy was to build distinction and awareness for the carrier while taking advantage of Eastern's poor reputation for customer relations and in-flight service, and this was accomplished by adopting "Fun Flight" and "Funcoach" as campaign themes ("they gave a reason for vacationers to prefer Capital to Florida").¹

The Fun Flight advertisements, one of which is illustrated in Plate XVII, stressed the pleasures of flying Capital--of meeting people, having pictures taken by a stewardess, drinking champagne toasts, having a Florida banquet, listening to music. In other words, Capital sought to make the flight a part of the vacation, rather than just a means of getting there.

The first advertising for the Miami route broke in mid-October in Pittsburgh and Cleveland, using newspapers, spot radio, and 24-sheet posters.² Service to Miami commenced on December 14, followed a month later by service to Tampa/St. Petersburg, using Viscounts for the first class (Fun Flight) and nightcoach version, and modified 72-seat Constellations for daycoach (Funcoach) service.³

The Great Lakes-Florida service got off to a fast start, thanks largely to an Eastern Airlines strike that began in

¹ Ibid.

² Ibid.

³ Capital Airlines, Annual Report: 1958, p. 13.



SO MUCH LIKE FLORIDA, YOU CAN TASTE IT!

NEW CAPITAL JET-POWERED "FUN FLIGHTS" TO MIAMI

Why wait 'til you get to Miami for those fabulous Florida banquets? When you fly Capital Airlines' new "Fun Flights," you enjoy a sumptuous foretaste on the way down. Filet mignon, broiled to your exacting order. Champagne (even with brunch). And all the trimmings you'd expect from a famous Florida restaurant. The party doesn't stop with the food on a Capital "Fun Flight." There's music and mingling with people you'll like. Top

it off with the luxurious, jet-powered Viscount and you have the best way anyone ever went to Miami. Make it your way, too. Call your travel agent or Capital Airlines at MOhawk 2236 and let the fun begin!

VISCOUNT "FUN FLIGHT" FOR V.I.P.'s . . . champagne, Florida banquet, photographs and music are only part of the fun. You're surrounded by a skyful of luxury.

Now! Day "Funcoach" Non-Stop to Tampa/St. Petersburg . . . Only \$55.95 one way, plus tax.

FOR VALUE-MINDED VACATIONERS

(Ask about our convenient budget plan.)

DAY "FUNCOACH" . . . many exciting features of the "Fun Flight," with meals and champagne at slight additional cost. The fun way to save.

NIGHT "FUNCOACH" . . . best way to save money and still enjoy the speed and quiet of the Capital Viscount . . . America's first jet-powered airplane.

\$63.00
one way,
plus tax
to Miami

\$56.30
one way,
plus tax
to Miami



December and continued through the first week in January, but despite steady load factors on the Cleveland and Pittsburgh segments through the end of the season, the local share of market dropped sharply--from 56% to 31% on the former and from 68% to 52% on the latter.¹

Debts and Disasters

Capital defaulted on the Vickers debt in July, had to defer four months' payments, and ended 1958 paying only \$5 million of the \$9 million that came due.² The carrier also lost over 400,000 passengers from the preceding year,³ due in part to a 37-day suspension of operations when the International Association of Machinists staged a walkout--the first strike in Capital's history.

An undetermined number of potential customers were driven away by two disasters involving Capital Viscounts. The first crash, on April 6, marred a safety record that had given Capital eight consecutive National Safety Council awards through 1957, reflecting almost seven billion fatality-free miles. The second accident occurred on May 20, when a Viscount collided with a military jet.⁴

¹Capital Airlines, "Campaign Book," January 20, 1961

²Business Week, October 17, 1959, p. 116.

³Capital Airlines, Annual Report: 1959, p. 13.

⁴Capital Airlines, Annual Report: 1958, pp. 9, 10.

CHAPTER XI

ENTER ELECTRA AND PURE JETS: 1959

The Scramble Was On

Capital Airlines was able to report in 1958 that its fifty-eight Viscounts represented "the largest commercial fleet of jet powered aircraft in the world."¹ It also happened that on a domestic basis Capital operated the only fleet of jet-powered aircraft. The monopoly ended in January, 1959, however, when Eastern's turboprop Electra and American's 707 jet began the battle for passengers over Capital's main routes, to be followed shortly by the jets of TWA, United, and Delta.²

The blossoming of the jet age signaled more troubles for Capital Airlines, which even now was trying to catch up on back payments for its Viscounts. When the carrier defaulted in 1958, Vickers-Armstrongs urged the carrier to ~~seek~~ a merger "as a matter of utmost urgency," and the advice was taken to heart.³ A special committee of five board members, including Baker, was formed in December, 1958, to begin merger explora-

¹Ibid., p. 11.

²Capital Airlines, "Campaign Book," January 20, 1961.

³Doty, Aviation Week and Space Technology, October 31, 1960, p. 37.

tions. The committee first studied the possibility of merger with eight airlines or combinations of airlines, and then approached them directly, talking eventually to Eastern, Braniff, Delta, Northwest, TWA, Northeast, and United.¹

David Baker's main concern, however, was in keeping Capital intact, not destroying it through merger, and to do this he had to find some way of relieving the crushing pressure of the \$36.6 million still owed to Vickers. Attempts to refinance the debt with United States lenders failed, and so the airline turned to the British banks for help.² Capital officials huddled with representatives of Vickers on April 28, 1959, with Baker outlining his proposed plan--stretch the Viscount loan from the original maturity date of 1962 to 1970, and at an average interest rate of 4% instead of the current 6¼%.³ This would not help Capital compete with the new jets, however, so Baker also developed a plan for financing jet and turboprop equipment--raise the \$51 million needed from banks and insurance companies in the United States.⁴

At this point, the waters become a bit muddied. Business Week reported that the British banks, confronted with further defaults on the Vickers loan in 1959, felt they would have to give Capital the additional time it wanted. This led the

¹Ibid., p. 38.

²Business Week, October 17, 1959, p. 116.

³Doty, Aviation Week and Space Technology, October 31, 1960, p. 38.

⁴Business Week, October 17, 1959, p. 116.

banks to grant approval of Capital's refinancing plan, contingent upon the airline's success in financing new turbine equipment.¹ Aviation Week reported exactly the opposite, however, saying that Capital's ability to raise money for new planes was contingent upon successful refinancing of the Viscount debt.²

In any case, the carrier announced in October that it planned to buy seven Convair 880's and five Electras--all for delivery in 1960.³ The total cost for the re-equipment program, which included refinancing of the Viscounts, would be \$86.4 million.⁴

Capital felt that its new turbine equipment would put it back in the jet race, especially in the profitable New York-Chicago market. The Convair 880's, which were to be tailored to Capital specifications, would be used on the long north-south routes; the Electras, which were forty to seventy miles per hour faster than the Viscounts and had thirty more seats would be used on Capital's shorter east-west routes.⁵

Marvin Whitlock, Capital's vice-president for engineering and maintenance, hastened to point out that new aircraft alone would not solve Capital's equipment problems. In addition,

¹Ibid., pp. 116, 117.

²"Capital Reports Convair Jet Plan," Aviation Week Including Space Technology, October 19, 1959, p. 48.

³Ibid.

⁴L. L. Doty, "Capital to Offer Stock in Refinance Plan," Aviation Week and Space Technology, February 1, 1960, p. 30.

⁵Business Week, October 17, 1959, p. 117.

the carrier would have to upgrade its existing fleet to meet the need for greater capacity by leasing new jets or late-model piston aircraft and Viscounts.¹

Part of Whitlock's plan was incorporated into David Baker's long-range equipment program, which called for the following: (1) retirement of nine DC-3's and three Constellations in 1959, (2) retirement of the remaining Constellations in July, 1960, (3) leasing eleven DC-6B's in 1959 for an eighteen-month period, to replace the retired planes, (4) retirement of the balance of the DC-3's when CAB released Capital from certain small station stops that it was required to make.²

This last item was included in a petition Capital submitted to CAB, calling for measures to strengthen its route system. This included removal of the "last remaining significant restriction on Capital's East-West service"--permission to fly nonstop between New York and Twin Cities, but in the meantime, Capital would have to be satisfied with the award of a long sought-after nonstop route between Chicago and Twin Cities.³

Baker also moved to increase revenue by better utilization of his Viscounts, saying that a decision by former management to cut seating capacity from forty-eight to forty-four

¹Ibid.

²Doty, Aviation Week and Space Technology, October 31, 1960, p. 38.

³Capital Airlines, Annual Report: 1959, pp. 10, 11.

cost the company a minimum profit potential of \$9 million. To offset the possibility of future losses, Baker increased the seating capacity to forty-six and eventually to fifty--equivalent to adding eight Viscounts to the fleet from the standpoint of seat-mile capacity (the number of seats times the number of miles flown).¹ Baker said:

Capital's inability to add seat miles in carefully planned increments as our competitors had was the basic reason why over-all revenues did not go up as rapidly as other carriers even though acceptable criteria, such as load factor, showed outstanding results.²

The Advertising Picture

Jet-Powered Experience Campaign.--Capital Airlines had blazed the trail into the jet age in this country choosing not to refer to the Viscount as a jet, a fact attributable to the belief that the air traveler liked to see propellers attached to the engines when he looked out the window. The Viscount had a propeller, of course, but the airline still feared that the implication of "jet" might scare away those preciously-needed customers.

Capital's decision to advertise Viscount without exploiting the jet theme might have been the worst mistake the airline ever made, for now in 1959 the sky suddenly was filled with propeller-less aircraft, most of them flying full. At last the time had come to admit that the Viscount was a jet of sorts. Advertising Director Bob West said:

¹Doty, Aviation Week and Space Technology, October 31, 1960, p. 38.

²Ibid.

We decided to act quickly to preserve the image of Capital as the most experienced jet-powered airline and to prevent as far as possible the down-grading of the Viscount to second-rate equipment. Underscoring the necessity for this were Capital's own plans for pure-jet equipment.¹

It is true that Capital had made reference to "jets" in its copy and signature throughout 1958, using phrases such as "World's No. 1 Jet-Prop Airline," "World's No. 1 Prop-Jet Airline," and "World's Largest Jet-Powered Fleet." But while these were probably concessions to the imminent arrival of competitive equipment, the campaign Capital launched in February, 1959, used the "jet-powered" theme as its focal point.

Capital said that the campaign, which ran until July in newspapers and national magazines, created favorable comment. In fact, the ads shown in Plates XVIII and XIX were cited for awards by Advertising Age, according to Capital.²

The series also attracted the attention of Delta Airlines, which complained to CAB that advertising for the new pure jets was being counteracted by misleading advertising for the propellor-driven Viscount and Electra. Citing the advertisement shown in Plate XX, CAB ruled in April that even though Viscount was jet-powered, reference must be made to its propellers either by showing an airplane with propellers or by using the words "turboprop" or "jetprop" in all advertising.³

¹Capital Airlines, "Campaign Book," January 20, 1961.

²Ibid.

³"If It Has Prop, Ads Can't Say 'Jet': CAB," Advertising Age, April 20, 1959, p. 3.



“Jet power? I grew up on it!”

“Mom says I took my first flight on a Capital Viscount back in 1955. But me, I remember the last one, when we went on vacation. I thought an airplane was supposed to make a lot of noise, like on television. But not a Capital Viscount. I could even hear Mom whispering at me to stop bothering the hostess. All I

wanted to know was what those two R's on the engine meant!” Young lady, those two R's stand for Rolls Royce, makers of the world's smoothest jet-powered engines. And in case you didn't know it, Capital

Airlines serves the great vacation areas of the East with America's largest jet-prop fleet.

Capital
AIRLINES

JET-POWERED BY ROLLS ROYCE



"Me? I've been flying on jet-powered planes since 1955!"

"Yes sir, I flew out to see my grandson on a Capital Viscount back in 1955. We've had a good many hours of jet-powered relaxation together since then, the Viscount and I. And I want to tell you young folks they've been the smoothest, quietest hours I've ever spent in the air. Now if you're

planning a family vacation this year, you call those nice people at Capital. Tell 'em to give you seats on a Viscount. Most comfortable plane you've ever flown in, I'll wager!"

Capital
AIRLINES

Jet-powered by Rolls Royce

Fly Capital to Chicago, Pittsburgh, Atlanta, Birmingham. America's largest jet-prop fleet.



Capital's Captain Mel Garlow — first airline pilot with a million jet-powered miles.

Jet-Power Missionary

Next time you fly with Capital Airlines, notice your pilot's name. It may be Mel Garlow, the man who just became America's first airline pilot to fly a million jet-powered miles. Captain Garlow checked out in a Capital Viscount back in 1955. Since then, he and other

Capital pilots have whispered their way through a hundred million hushed, vibrationless miles. Have you been one of their passengers lately? Make your next flight east of the Mississippi a Capital Flight. Best way to relax between any two airports.

Capital
the airline with the world's largest jet-powered fleet

Capital's Walter Johnson replied that he was disturbed that any Capital ads could be construed as misleading or improper:

It is our ambition to honestly establish that the Viscount is a jet-powered airplane and to this end, we use the same standard phraseology which is being used everywhere in the industry and which [is] technically recognized as sound.¹

Johnson added that his company would abide by the CAB ruling in any major newspaper or magazine advertisement using the "jet-powered" theme as the basic sales premise, but CAB ended its inquiry, satisfied that the term "jet-powered" is universally accepted in the airline industry as being descriptive of Viscount.²

The matter was further clarified in 1960, when the scheduled airlines of the United States unanimously adopted an advertising code of ethics drawn up by the Air Transport Association. A section of the code, which became effective December 31, 1960, set down three conditions under which the word "jet" could be used in airline advertising: (1) the word "jet" is applicable only to pure jet planes, such as the Boeing 707, (2) turbine-powered planes that have propellers, such as Viscount or Electra, must be referred to in ads as "turboprop," "jetprop," or "propjet," (3) if the plane is not a pure jet, prop traces must be shown in ads illustrating such planes.³

¹Ibid.

²"Capital Ads Meet CAB Stricture, West Says," Advertising Age, May 25, 1959, p. 8.

³"U.S. Airlines Adopt New Code for Advertising," Advertising Age, December 12, 1960, p. 4.

Atlanta Campaign.--Two schedule changes in the spring of 1959 caused Capital to intensify its advertising activities in the Atlanta and New Orleans markets.

In Atlanta, Capital reported that its load factors "began to slip alarmingly" when Eastern introduced nonstop Electra service to New York and broke several feeder connections to Capital's New York flights.¹ Difficulties were compounded by two fatal Capital crashes on the same day, both of them bound for Atlanta. The combination of events caused Capital's load factors at Atlanta to tumble more than thirty percentage points between April 5 and May 18. Capital scheduled a heavy newspaper campaign to help halt the slide, spending \$32,000 during the seven-month period from April through October, but load factors failed to reach their former levels after hitting bottom in July and starting back up again. During this same period, Eastern matched Capital's newspaper expenditures, but Delta spent nearly three times as much²--possibly because the airline's home is Atlanta. The special campaign run by Capital was built around the themes of Viscount service and frequency of flights, which appeared individually in some ads and combined in others.

New Orleans Campaign.--As the result of a schedule change, Capital greatly expanded its service from New Orleans to Washington and New York, but Eastern Air Lines soon moved to match the expansion in the market it had dominated. Capi-

¹ Capital Airlines, "Campaign Book," January 20, 1961.

² Ibid.

tal managed to hold nightcoach load factors steady this time, but the first class flights were in dire circumstances and none of the advertising approaches attempted seemed to help. The campaign, as in the case of Atlanta, was built around Viscount service and frequency of flights to various cities, but Capital's \$19,000 newspaper budget for the April through November campaign simply could not compete against Eastern's \$37,000 expenditure or the \$54,000 Delta spent in the New Orleans market.¹

Summer Promotions.--Capital Airlines was obviously pleased with the results of the Hit Show package offered in 1958, for it repeated the same basic promotion in the spring and summer of 1959. The package was expanded from six markets to twelve markets and included, for \$10.27 down, a weekend in New York and the passenger's choice of a Broadway show.²

Another target for package trips in 1959 was the summer traveler to Florida, and this time Capital followed the lead of arch-rival Eastern Air Lines. Eastern had long been aware that the main advertising prospect for the off-season Florida market was the package vacation buyer, but Capital was the one to step in and pioneer Florida vacations on the installment plan, using a "Live it up for \$00.00 down" theme.³ The campaign was launched in April, but when it failed to attain the

¹Ibid.

²"See Broadway Hit, Pay Later, Capital Airlines Ad Urge," Advertising Age, May 25, 1959, p. 8.

³Capital Airlines, "Campaign Book," January 20, 1961.

momentum that had been hoped for, the airline hinted that perhaps not enough preliminary planning had been done:

A campaign of this type, selling a new idea in vacation travel, obviously takes time to generate reservations, and often the groundwork is laid months before the sale. By late May, competitive pressures were strong. Advance Florida bookings were not satisfactory in the judgment of the Sales Department.¹

As a result of lagging sales Capital acted upon the recommendation of its local sales managers and shifted emphasis to total price beginning in June.² A comparison of the two approaches is seen in Plates XXI and XXII.

Capital itself did not elaborate further on the campaign, but Editor and Publisher reported that K&E had tested the "Live It Up" package in special vacation travel supplements of the Pittsburgh Press and Cleveland Press in May. The newspapers prepared the make-up with editorial matter supplied by themselves and Capital. In addition, the carrier bought the back page for its Florida package advertisements and helped the publications sell other space to hotels, travel agents, and car rental agencies. Capital also scheduled two ads per week in the regular news sections of the two dailies during a sixty-day period,³ but apparently nothing could bring satisfactory results in the airline's Florida vacation market.

Twin Cities Introduction.--An intensive advertising effort backed up the inauguration of service on Capital's new Twin Cities-Chicago route in August. The campaign, a thirty-

¹Ibid.

²Ibid.

³Robert B. McIntyre (ed.), "Capital Flies High on Newspaper Wings," Editor and Publisher, August 15, 1959, pp. 17, 18.



*Live it up
for \$14.68 down!*

*Complete Miami vacation
7 fun-filled days at a luxurious Miami Beach resort*

Why wish and wait? Go now with Capital Airlines for a down payment of only \$14.68! Pay the rest in installments you'll hardly notice—as little as \$7.80 per month.

Your low down payment opens the door to a gay, glittering world at one of the Miami Beach resort hotels you've been reading about. Your trip starts on a jet-powered Capital Airlines Fun Flight—a party on a plane! And who knows? The friends you make in flight may be staying at the same hotel.

Perhaps you'll arrive in time for the late-afternoon cocktail party. Or, if you wish, refresh yourself with a swim in the giant outdoor pool. Work up an appetite for one of those sumptuous Florida banquets you'll be enjoying—every night of your vacation! Later, dance to the rhythms of a name-band orchestra.

During the day, every conceivable type of sport will be available—from golf to water-skiing. In a few days, your tan will be as golden as a Florida pecan. Make this the most

memorable vacation you've ever spent. Call your travel agent or send this coupon to Capital—the exciting vacation airline. P.S. Capital also offers thrilling Caribbean excursions. Wonderful way to extend your Miami vacation! Economical way to see the romantic islands—such as Jamaica, Nassau, Haiti.

Capital
AIRLINES

Capital Airlines, Tour Dept. TOWER 1-4312
Sheraton-Cleveland Hotel, Cleveland 13, Ohio

Please send me absolutely FREE complete details on

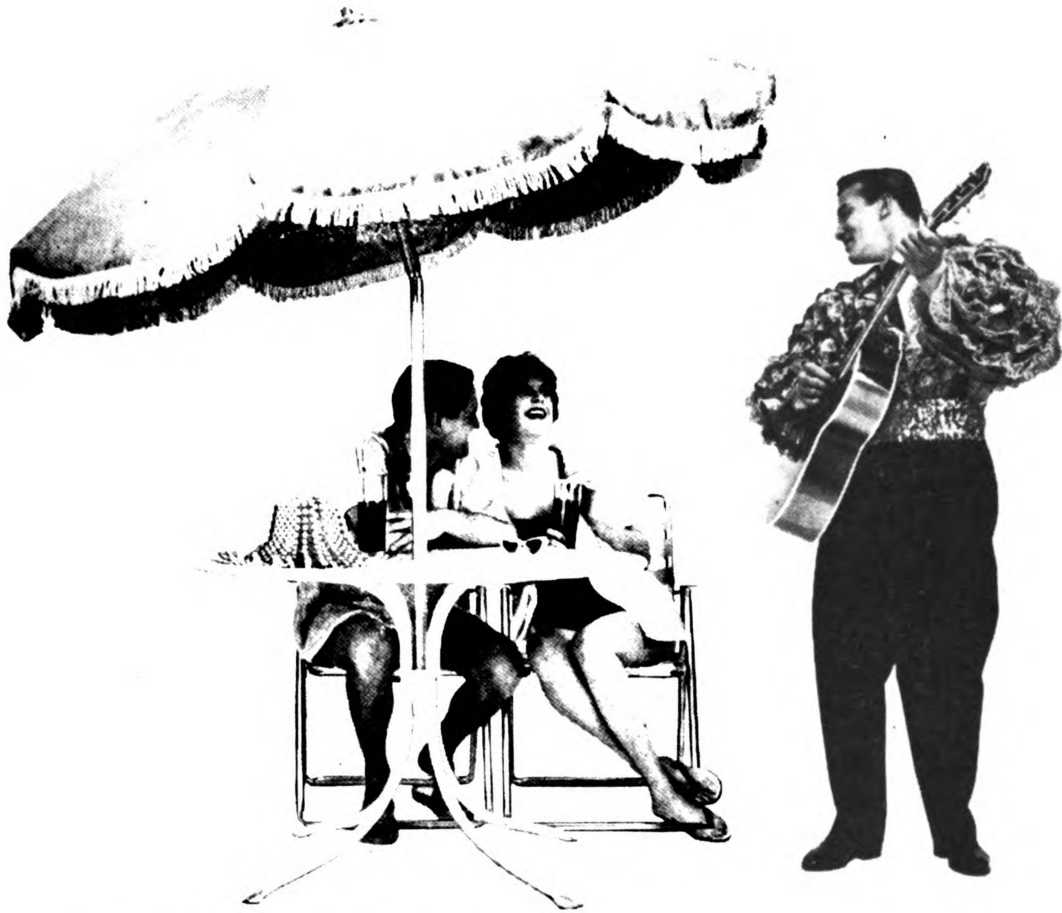
- ☐ Capital's Miami Beach Vacations
☐ Capital's Caribbean Tours

MY NAME.....

ADDRESS.....

CITY.....ZONE.....STATE.....

PLATE XXII



NOW ONLY \$133.30!* (or \$14.68 down)
7 DAYS AT A MIAMI BEACH DREAM HOTEL
 Complete with round-trip Capital Fun Flight

Don't just stand there. Pick up the phone and call Capital Airlines! Take advantage of this amazing vacation offer for just \$14.68 down. Pay the rest later—as little as \$7.80 per month. This low price puts you in a wonderful vacation world, including:

- 7 fun-filled days and 6 glamorous nights at a Miami Beach resort hotel. You stay in a luxurious private room with bath. (Price based on double occupancy, per person.)
- A round trip on a Capital Fun Flight to Miami—a party on a plane! Meet and mingle with the rest of the passengers. Begin your vacation in the air.
- Limousine transportation to and from the airport when you arrive and when you leave.
- Facilities for every sport from golf to water-skiing—and organized groups to make it even more fun.
- Nightly entertainment, with dancing and gatherings for you and your friends.

This fabulous vacation at these low prices is available only while low summer rates last. Send now for Capital Airlines' free, beautifully illustrated brochure and get the full exciting details.



*plus tax on air fare

P.S. Extend your Florida vacation to the Caribbean—Jamaica, Nassau, Haiti. It costs only a little more on Capital's Budget Vacation Plan.

CALL CAPITAL AT TOWER 1-4312, SEE YOUR TRAVEL AGENT OR SEND THIS COUPON

Capital Airlines, Tour Dept.
 Sheraton-Cleveland Hotel, Cleveland 13, Ohio

When can I leave? Please send me immediately Capital's brochure with complete details on:

- ☐ Capital's Miami Beach and Fort Lauderdale Vacations
- ☐ Capital's Caribbean Tours

MY NAME.....

ADDRESS..... TEL. NO.....

CITY..... ZONE..... STATE.....

six step program developed by Capital sales vice-president Read Chalfant, "was ignited with a countdown as if it were a nuclear blast."¹ Newspaper advertising broke two weeks before inauguration day and continued for two months afterward, supplemented by a direct mail campaign employing seventeen lists, personal solicitation,² radio, and a six-week posting on 152 outdoor boards.³

The effort apparently paid off, for three of the seven flights scheduled for introduction day were sold out,⁴ and load factors climbed steadily through the first two months of operation.⁵ Capital was especially pleased with the success of the new service because Northwest Airlines had been operating in the market as a monopoly for twenty years. Despite this, Capital and K&E had some misgivings about the format of the newspaper campaign, with the exception of the advertisement shown in Plate XXIII.⁶

Somewhat later in the year Capital ran an ad in the Twin Cities market that could have easily backfired, since it called attention to the fact that the carrier was no longer alone in offering jet-powered service, having been joined by Electra. The advertisement is reproduced in Plate XXIV.

¹Schuyler, Editor and Publisher, August 15, 1959, p. 18.

²Ibid.

³Capital Airlines, "Campaign Book," January 20, 1961.

⁴Schuyler, Editor and Publisher, August 15, 1959, p. 18.

⁵Capital Airlines, "Campaign Book," January 20, 1961.

⁶Ibid.



WE'RE PLEASED AS PUNCH!

Twin Cities, we can't thank you enough!

Your response to Capital's non-stop, jet-powered service to Chicago has been great! We're so glad you like that smooth, quiet Viscount ride. And you seem to appreciate the new convenience, too: 7 jet-prop flights that originate right here (no wait for your flight to arrive before it can leave). Many of you are flying farther east, too, taking advantage of our exclusive jet-powered service to Buffalo, Rochester, New York, Washington, Pittsburgh, Philadelphia, Cleveland and Baltimore. See your travel agent or call Capital at FEderal 9-7661.



Jet-powered by Rolls Royce



Welcome to the skies, Electra ...it's good to have company

In the skies above the Twin Cities, we at Capital Airlines have had the calm, quiet world of jet power all to ourselves. Now new to the skies comes the Electra. We welcome the company, the friendly rivalry for your business.

In this same spirit of friendly rivalry, we'd like to point out that Capital has had four years to develop the world's most experienced jet-prop pilots. Four years to build a reputation for Viscount depend-

ability. Consider, too, that nearly every Capital flight from Minneapolis St. Paul to major eastern cities is jet-powered.

Take advantage of jet power wherever and whenever it is available. There is no better way to fly between any two airports. And when things like vibration and engine roar make a difference, look to Capital - America's first jet-powered airline - linking Minneapolis St. Paul with the major cities east of the Mississippi.



Innovations Abound in 1959

Walter Johnson maintained that the real problems facing airlines were on the ground, not in the air as one might suppose. Capital Airlines, already in the midst of a program designed to raise the quality of customer service, sought to further enhance its position "on the ground" in 1959 under Johnson's guidance.

One item was a commuter ticket, introduced on the Twin Cities-Chicago route. Under the system, Capital passengers bought books of ten blanks at the usual price, and could write the tickets themselves, thus saving time and trouble. Capital claimed the innovation was so successful that it would be expanded to other routes.

Another innovation involved an industrial vacation program, using payroll deductions for packaged flights. The plan, which was intended to attract large corporations and employe credit unions, had been put into operation by ten major firms within thirty days after its introduction and was "likely to grow rapidly."¹

A third innovation involved installation of Univac equipment to speed reservations. By 1959, the system had been installed in fourteen major cities, permitting centralized control of reservations as far as six months in advance.² Capital made certain the public was aware of the Univac system, scheduling at least one print advertisement on the

¹Schuyler, Editor and Publisher, August 15, 1959, p. 18.

²Ibid.

subject of its operation as part of the "jet-powered experience" campaign in the early part of 1959. This ad is illustrated in Plate XXV.

Box Score for 1959

By 1959, Capital was serving eighty-one cities from fifty-five airports in seventeen states and the District of Columbia. Servicing this system were 8,000 employees and a fleet of 100 planes.¹

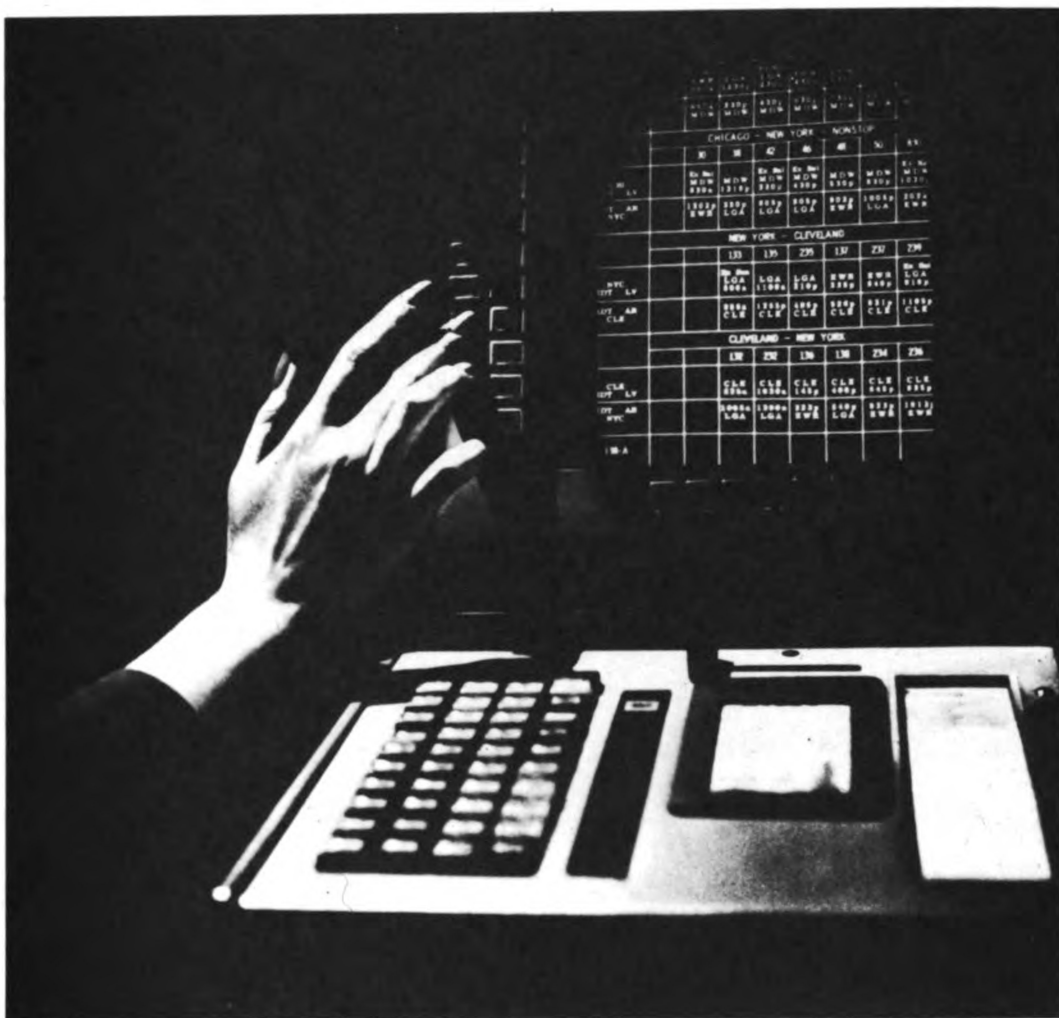
Capital went over the \$100 million mark in total operating revenues for the first time in 1959, but barely escaped having an operating loss.² Then, of course, there was the Viscount debt.

The most notable changes in management saw George Hann return to the board chairmanship he had relinquished to Slim Carmichael, and which had remained vacant since Carmichael's departure from the airline in 1958. In addition, Charles Murchison regained his position as chairman of the executive committee when Hann vacated it to become board chairman.³

¹"Evaluation of Operations by Management," A case study conducted for Capital Airlines, Inc., by R. G. Lochiel, S. B. Goldthorpe, J. H. Smith, and G. E. Park at the Eastern Conference, Richmond, Virginia, Introduction and presentation by R. G. Lochiel, The Controller, XXVII (August, 1959), 357.

²Capital Airlines, Annual Report: 1959, p. 13.

³Ibid., p. 2.



3,239,600 jet-powered seats at her fingertips

Many airlines use jet-powered aircraft these days. Now Capital Airlines has combined America's largest jet-prop fleet with the world's most modern reservations system.

The girl in our photograph is a Capital reservations clerk. And she's right in step with the jet age, thanks to Univac. This foolproof electronic reservations system enables her to check the availability of seats in just a few seconds. In fact, she can press a

button and get the exact status of 3,239,600 jet-powered airline seats for up to six months in advance. (If you like, she can even check the arrival and departure information on today's flights in any city on the Capital Airlines system.)

Whenever you fly east of the Mississippi, stay in step with the jet age. Fly Capital Viscounts, jet-powered by Rolls Royce. And let Capital's Univac secure your reservation the quick, sure, accurate way.

Capital
AIRLINES

JET-POWERED BY ROLLS ROYCE

CHAPTER XII

A DATE WITH DESTINY: 1960-1961

1960: The Beginning of the End

The showdown that had been brewing at Capital was nearly at hand, with the carrier being pressured from all sides--Vickers, CAB, competing airlines, and its own management and employees. Despite the factions that were tearing it apart, however, Capital somehow managed to present a calm exterior to the public.

The Crucial Florida Market

There was a time when the Florida resort market consisted of one 90-day season, but by 1959 it was made up of two 120-day seasons, with the airline industry foreseeing an eventual year-round sales opportunity.¹ Capital now had a stake in this burgeoning market, and the 1959-1960 winter season would test its ability to compete with the big boys.

Capital launched its campaign in October, 1959, using the same basic "fun flight-funcoach" theme that had been something short of sensational the year before, but a change was requested in December when Capital's financial situation be-

¹Schuyler, Editor and Publisher, August 15, 1959, p. 18.

gan to deteriorate rapidly:

The Sales Department was given a blunt ultimatum: Capital would live or die on the basis of its performance in the Florida market during that winter. The Sales Managers requested a more direct "hard-sell" approach, abandoning the fun flight theme.¹

The hard sell approach was introduced in January, 1960, with "very heavy" newspaper expenditures; only to be scrapped for another campaign when Capital introduced its newly-leased DC-6B's into the Florida market.² Examples of ads run in these two campaigns are shown in Plates XXVI and XXVII.

Within the space of five months, Capital had run three separate advertising campaigns, leading Bob West to remark:

In retrospect, the Advertising Department feels we would have made more long-range progress and performed equally satisfactorily on an immediate basis if we had continued with the original fun flight theme. The phrase itself was just beginning to register widely in the Pittsburgh and Cleveland markets. For example, a front page feature article in the Pittsburgh Press talking about a local civic activity led off with the phrase "You'd have thought it was a fun flight to Florida . . ."³

Despite the internal misgivings, Capital did manage to improve its load factors on the Cleveland-Miami route, but performance on the Pittsburgh-Miami segment was erratic.⁴

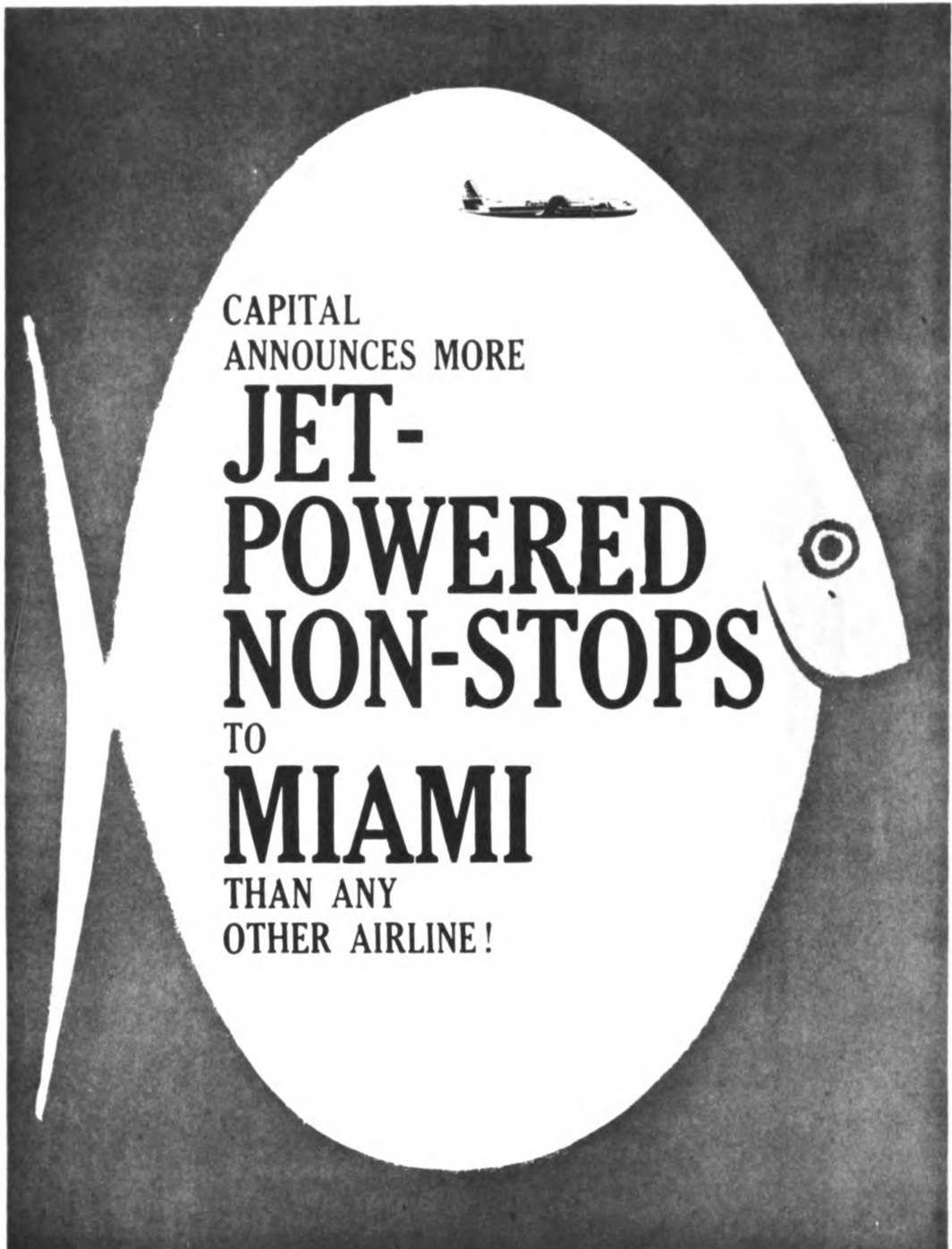
The Time Was Ripe for a Crisis

Sometime during the first quarter of 1960, Capital's proposed deal for seven Convair 880's and five Lockheed Electras fell through.⁵ Normally, such a development would have

¹Capital Airlines, "Campaign Book," January 20, 1961

²Ibid. ³Ibid. ⁴Ibid.

⁵L. L. Doty, "CAB Orders Major Capital Flight Probe," Aviation Week and Space Technology, April 25, 1960, p. 43.



CAPITAL
ANNOUNCES MORE
**JET-
POWERED
NON-STOP**
TO
MIAMI
THAN ANY
OTHER AIRLINE!

When you follow the sun, have a plane-load of fun. Daily "Fun-Flights" from Pittsburgh to Miami, Tampa, Jacksonville and West Palm Beach. Call your travel agent or Capital Airlines at GRant 1-7555 for immediate reservations.

Capital
AIRLINES



To meet the peak season demand, Capital has added a whole new fleet of bigger, faster, radar-smooth Fun Coaches to Miami. No wait for reservations. Select the day you want to go. Then go! • Real economy • Real luxury, too! All these Fun Coach extras available: hot meals • cocktails and champagne • souvenir snapshots • reserved seats • the most luxurious interior this side of your Florida hotel! What are you waiting for? Call your travel agent or Capital Airlines at TOWer 1-4312.

\$56⁴⁰

LOW COACH FARE TO MIAMI



been of no more than passing interest, since equipment cancellations had become commonplace for Capital. This time, however, it might be viewed as the trigger that set off the final crisis, for the carrier's own officials had regarded the equipment-financing program as the turning point in the airline's life.¹

There were other financial headaches as well. For one thing, Capital's existing fleet of unpaid-for Viscounts was depreciating at the rate of \$1 million per month.² For another, the airline projected early 1960 losses to \$9.7 million for the twelve-month period ending March 15, 1961. To offset the anticipated losses, Capital petitioned CAB for a \$13 million subsidy to commence March 25, 1960, and run for twelve months. Since no domestic trunk line was on subsidy at the time of Capital's application, a CAB decision either for or against it would have implications for the entire industry.³ Said Business Week:

If the board decides Capital should go back on subsidy, it will have to get the money from Congress--which might prove a hitch. It may be that the industry's entire route pattern and perhaps its overall philosophy will be reappraised by CAB or Congress.⁴

As it turned out, CAB rejected the petition in April on the basis that to do otherwise would be to put Capital in competition with unsubsidized airlines, and at the same time

¹Business Week, October 17, 1959, p. 116.

²"Looking for a Corner," Newsweek, May 16, 1960, p. 94.

³Business Week, April 23, 1960, p. 86.

⁴Ibid.

it ordered hearings to investigate the carrier's financing and equipment programs,¹ its losses, routes, and steps it had taken toward possible merger with another airline.²

Capital Blames CAB for Its Troubles

Before CAB ordered its probe into Capital's affairs, David Baker had a few choice words to say about the federal agency at the annual stockholder meeting. He charged that Capital's route structure was "a creature of the CAB," and that "CAB must accept its share for the carrier's unprofitability."³ Baker pointed out that CAB had put Capital in competition with "the giants of the industry" on short-haul routes, and that now the airline's only hope rested with the agency.⁴

CAB's opportunity to answer Baker's charges came when it ordered hearings into the airline's operations. The agency pointed out, for example, that Capital had been awarded routes it had requested in the belief that such awards "were responsive in substantial measure to Capital's asserted need for route strengthening and would result in significantly improving its financial condition."⁵ CAB said further that it had given

¹"Airlines Grapple Money Woes," Business Week, April 16, 1960, p. 34.

²"More Trouble for Capital," Time, May 2, 1960, p. 85.

³Doty, Aviation Week and Space Technology, April 25, 1960, p. 43.

⁴Ibid.

⁵"Capital Fights to Stave Off Bankruptcy," Aviation Week and Space Technology, May 2, 1960, p. 41

Capital substantial additional routes in the Great Lakes-Florida market "in an effort, in part, to bolster Capital's economic health."¹ As noted earlier, however, performance on these resort routes was anything but satisfactory.

Capital was given forty-five days to file a reply to the CAB hearings order, and there was some speculation that an attempt would be made to put the Board on the spot by saying it was obligated, by law, to keep the airline in business for a "useful purpose in the public interest and necessity"--in other words, to grant a subsidy.² But something happened. The carrier suddenly withdrew its pleas for subsidy and filed a tariff for a fare increase of 4% plus \$1 per ticket instead, contending that it would be a satisfactory substitute for a subsidy. In return for withdrawing its subsidy application, the carrier asked CAB to call off its scheduled probe, and CAB promptly obliged.³

Unrest Among the Stockholders

Capital's annual stockholder meeting in April was a catastrophe, with management and the board of directors lined up on one side and the stockholders on the other in a series of heated arguments. The head-on clash occurred when David Baker attempted to fix the blame for Capital's ills on a series of contributing factors--including routes, aircraft, weather,

¹Ibid. ²Time, May 2, 1960, p. 86.

³"Capital Employee Group Begins Proxy Fight," Aviation Week and Space Technology, June 6, 1960, p. 41.

and fare structure.¹ The stockholders weren't buying these excuses, however, and instead accused management of "sloppy business practices," indecision, and operational shortcomings that included flying dirty planes.² In the free-for-all that followed, the company's directors even turned on each other, and by the time the smoke had cleared, George Hann had stepped down as board chairman for the third time. Charles Murchison, who was waiting in the wings, now made his move to take over the airline. Unfortunately, he was unable to convince a sufficient number of board members that he was the man for the job, so the chairmanship was again left vacant temporarily.³

A Proxy Battle Loomed.--In September, 1959, the Capital Shareholders Association was formed, its member ship made up of Capital employes who owned at least one share of the airline's common stock.⁴ By May, 1960, the group numbered 30% of Capital's employes representing 20,000 shares of stock.⁵ In what has been described as "a major proxy battle virtually unprecedented in U.S. corporate history," the association decided to move into action when Capital's board of directors refused to act on a stockholder plan for increasing traffic

¹Doty, Aviation Week and Space Technology, April 25, 1960, p. 43.

²"Capital's Crisis," Newsweek, May 2, 1960, p. 71.

³Time, May 2, 1960, p. 86.

⁴L. L. Doty, "Capital Employe Unit Organizes, Plans Fight to Control Airline," Aviation Week and Space Technology, May 9, 1960, p. 39.

⁵Aviation Week and Space Technology, June 6, 1960, p. 41.

and strengthening the financial condition--the plan having been presented at the annual meeting in April.¹

The group became further angered when Baker stated that the carrier would continue to operate "even if it is forced into receivership."² Charles Beatley, employe group leader and senior Capital pilot, answered Baker by saying that no airline could serve the public properly "under the cloud of bankruptcy or receivership," adding that the connotations of bankruptcy would only drive potential customers away, and that operations could be damaged if receivers unfamiliar with airline operations were appointed.³

Main targets of the association, which hoped to replace the board of directors with members of its own choice, were David Baker, senior vice-presidents Walter Johnson and J. B. Franklin, and executive committee chairman Charles Murchison.⁴ Capital yielded to the pressure in May, when Murchison stepped down as chairman of the executive committee and J. B. Franklin resigned his position as operations chief to return to flight duty. In still another change, public relations director John B. Anderson was named to head up sales, replacing Read Chalfant, who in turn became assistant to David Baker.⁵

The most important maneuver, however, brought former

¹ Doty, Aviation Week and Space Technology, May 9, 1960, p. 39.

² Ibid., p. 41.

³ Ibid.

⁴ Ibid., pp. 39, 41.

⁵ "Capital Executive Shifts Continue," Aviation Week and Space Technology, May 30, 1960, p. 41.

board member and finance committee chairman Thomas D. Neelands, Jr. back to Capital Airlines as chairman of the board.¹ But the shareholder group was unimpressed, calling the shake-up a smoke screen designed to confuse the public and avoid the main issue--the board of directors. "There is a new chairman," said spokesman Beatley, "but the full complement of old faces is still there."² Then, charging that management "was still wandering in a wilderness,"³ the group proceeded with a three-fold plan: (1) a meeting with Vickers to discuss refinancing of the Viscount debt, (2) replacing Capital's board of directors by establishing a proxy solicitation, (3) petitioning CAB for a subsidy.⁴

Management refrained from taking overt action against the group until June, when it struck back with a letter asking stockholders "to withhold your judgment and sign nothing that will involve your company in what we think is an unnecessary, ill-advised and expensive meeting [that] would seriously hurt Capital."⁵ Neelands and Baker, whose signatures appeared on the letter, promised that a full statement of the airline's position would be issued later, giving "ample time

¹"Capital Flies Off the Map," Business Week, August 6, 1960, p. 25.

²Aviation Week and Space Technology, May 30, 1960, p. 41.

³Aviation Week and Space Technology, June 6, 1960, p. 41.

⁴Doty, Aviation Week and Space Technology, May 9, 1960, p. 39.

⁵"Capital Management Fights Insurgents," Aviation Week and Space Technology, June 13, 1960, p. 40.

for you to decide what to do when you have all the facts."¹

The stall for time paid its first dividend when Gordon Billard, chairman of the Capital Debenture Holders Protective Committee, was elected to the board of directors, swinging the balance of power to Baker. And when chairman Neelands and the entire executive committee threw their support to Baker, the internal split that had caused immobility within the airline was settled at last.²

The Vickers Threat and Merger Talk

When Thomas Neelands accepted the board chairmanship of Capital Airlines in May, 1960, he was confronted with prospects even more bleak than those faced by David Baker when he became president of the airline three years earlier. First quarter losses for 1960 amounted to \$5.4 million (the heaviest for a three-month period in the company's history), system-wide load factors were almost 7% lower than the industry average, and CAB reported that the carrier's share of market was dropping steadily in at least six major markets.³

But the most crushing burden was the Vickers debt. Of the \$33.8 million outstanding, \$12 million was already overdue,⁴ and another \$14 million would be coming due within twelve months.⁵ Vickers-Armstrongs, which had agreed to defer

¹Ibid. ²Ibid.

³L. L. Doty, "Capital Bids to Hold Stockholder Support," Aviation Week and Space Technology, June 27, 1960, p. 36.

⁴Business Week, April 16, 1960, p. 34.

⁵Business Week, August 6, 1960, p. 24.

payments as they came due, ran out of patience when Capital's first quarter losses were announced on the heels of CAB's rejection of an immediate subsidy and the agency's notice that it was about to investigate the carrier. Lord Knollys, chairman of Vickers, personally demanded the overdue \$12 million from Baker in April, an action that put Capital legally in default under the terms of the Viscount contract and left Vickers free to take any legal action necessary to get the entire \$33.8 million balance on the original debt.¹ One action Vickers could take would be foreclosure on the Viscount fleet, but this was not especially inviting because, as a Vickers spokesman said: "We don't want a fleet of secondhand Viscounts for which we would have to find a market."² Inviting or not, when Capital was unable to produce the \$12 million demanded by Vickers, the British firm asked for the full amount and proceeded to file a foreclosure suit in a New York federal court.³

It was at this point that Thomas Neelands was summoned back to Capital to develop a refinancing plan and restore the new equipment program. Neelands recalled later:

They had no plan at all. They were just waiting for it all to land on its head. I hated like hell to see them just standing there.⁴

Neelands agreed to help, but only if he were made board chairman with unanimous approval of the board and given the

¹Business Week, April 16, 1960, p. 34.

²"Capital Need," Newsweek, April 25, 1960, p. 86.

³Business Week, April 23, 1960, p. 86.

⁴Business Week, August 6, 1960, p. 24.

power to negotiate as a lone wolf.¹ Both conditions were met, and less than two weeks later Neelands was busy discussing a possible three-way merger with Delta and Northwest. The talks were quickly abandoned, however, because Delta had a trans-continental petition before CAB and Northwest did not appear to have the necessary combination of financial strength and aircraft to satisfy Vickers.²

United Was the Answer

Still in May, Neelands decided that United Air Lines was in the best position to take over Capital's debts, but first he had to convince Vickers. A merger proposal was quickly drafted and presented to the aircraft manufacturer, along with a plea that the foreclosure suit be deferred to allow continued operation of the Viscount fleet while merger negotiations were going on. It was further suggested that Capital be permitted to sell some of its Viscounts and lease other planes to take their place, thus not only eliminating the monumental chore of having to sell the entire fleet at once, but also providing orderly replacement of the Viscounts to avoid "the spectacle of an airline without aircraft to service its authorized route."³

¹ Ibid.

² Robert H. Cook, "CAB Opens United-Capital Hearing as Stockholders Approve Merger," Aviation Week and Space Technology, October 24, 1960, p. 40.

³ Doty, Aviation Week and Space Technology, October 31, 1960, p. 38.

Vickers had agreed to at least four postponements of its foreclosure suit while merger talks with United were in progress,¹ and on July 28, 1960, word finally came--W.A. "Pat" Patterson, president of United Air Lines, announced formally that his company proposed to merge with Capital Airlines.² The merger would benefit all parties involved. United, with 14,000 miles of routes, would gain Capital's 6,500 miles³--and despite some duplication, it would replace American Airlines as the largest domestic trunk line in terms of route miles, aircraft, personnel,⁴ and revenue.⁵ The resulting route pattern would also give United access to the lucrative north-south travel markets in the East and eliminate restrictions imposed on United to protect Capital in certain cities.

For Capital, merger was a means of bowing out gracefully and honorably. As United's Patterson put it: "Just one snap of the finger and Capital would have been bankrupt."⁶ Nearly all of Capital's 7,100 employees would find job security through absorption into the United system, though Patterson refused to make the management team part of the deal, saying that even

¹"Capital Asks to Drop Light Traffic Points," Aviation Week and Space Technology, July 4, 1960, p. 44.

²Robert H. Cook, "Patterson Urges CAB to Approve Sweeping Capital Merger Changes," Aviation Week and Space Technology, October 10, 1960, p. 43.

³Business Week, August 6, 1960, p. 25.

⁴"An O.K. for the Big Airline Merger," U.S. News & World Report, April 17, 1961, p. 16.

⁵"Wing to Wing," Forbes, August 15, 1960, p. 24.

⁶Ibid.

though he didn't know for sure who was responsible for the carrier's plight, "I do not want these fellows."¹ Capital's stockholders also stood to profit, gaining one share of United common for each seven shares of Capital common.

Vickers was also to be rewarded for its patience, acquiring \$15.9 million worth of United preferred stock, plus return of fifteen Viscounts--bringing the total value of the transaction to \$22 million.²

As a side benefit, Patterson saw the proposed merger as removing a threat to the financial credit of the entire airline industry.³ In fact, several airlines were actually in favor of the merger for this very reason, plus the probable favorable effect it would have on other merger proposals being contemplated.⁴ There were also dissenters--mainly those carriers already serving Florida, where competition would be intensified by better-equipped, stronger United. But CAB rejected demands by Eastern, Delta, and others that Capital's entire route system be investigated as part of the merger hearings.⁵

¹Cook, Aviation Week and Space Technology, October 10, 1960, p. 43.

²Business Week, August 6, 1960, p. 25.

³Cook, Aviation Week and Space Technology, October 24, 1960, p. 40.

⁴Business Week, August 6, 1960, p. 25.

⁵Cook, Aviation Week and Space Technology, October 10, 1960, p. 43.

Saved By the CAB

The boards of Capital and United voted in favor of the proposed merger on August 11, 1960,¹ the stockholders of both companies gave their overwhelming support on October 14, and the CAB hearing examiner recommended approval on December 30.² Formal approval was not to come until April, 1961, however, and in the meantime Capital was barely able to stay afloat. In fact, the carrier said flatly in November that were it not for the CAB merger hearings then going on it probably would not be in operation, and that if the merger proposal were rejected, no effective action could be taken to prevent loss of its entire fleet and termination of its operation as a certified air carrier.³ A month earlier, Capital treasurer R. G. Lochiel hadn't been even that optimistic. He told CAB that based on three-quarter losses of \$8.2 million, the airline probably would not make it through the winter.⁴

Looking back on the events of 1960, it was not only amazing that Capital did make it through the winter, but that it was able to concentrate at all on its reason for being-- that is, hauling passengers around the eastern United States.

¹ Cook, Aviation Week and Space Technology, October 24, 1960, p. 40.

² Capital Airlines press release, "Biography . . . ," p. 7.

³ L. L. Doty, "CAB Expected to Rule on United's Merger With Capital," Aviation Week and Space Technology, November 28, 1960, p. 42.

⁴ Cook, Aviation Week and Space Technology, October 24, 1960, p. 40.

And while its efforts may have been a case of too little, too late, they nevertheless represented attempts to keep old passengers and gain new ones, and will therefore be discussed briefly.

New Corporate Image

On March 1, 1960, only one month before the disastrous stockholder meeting, Capital Airlines announced that a new visual image was to be a part of a stepped-up program designed to "raise the quality of Capital's customer service above that of industry standards," with the over-all goal being to convey the image of Capital as "a company dedicated to integrity and progress."¹

The New York industrial design firm of Lippincott and Margulies was assigned the task of overcoming the lack of visibility of Capital's emblem in the visual context of crowded airports, and the inconsistency of design resulting from the speed with which new offices were opened during the Viscount era.² The answer was a three-point program that called for: (1) replacing the traditional red emblem with a new blue and white trademark, (2) changing the corporate color from red to blue, (3) evolving a new concept and appearance for the airline's advertising.³

¹"Capital Airlines Promotion to Get New Emblem, Color," Advertising Age, March 7, 1960, p. 44.

²Robert B. McIntyre, "Color to Aid Capital Airlines in Corporate Identity Switch," Editor and Publisher, March 26, 1960, p. 32.

³Advertising Age, March 7, 1960, p. 44.

The new corporate trademark and color were tested on Capital's leased DC-6B's, but before the paint brushes were put away for good, Capital hoped to change the visual identity of the entire organization--from city and airport ticket offices,¹ to ground service equipment, letterheads, menus, and luggage tags.² Exactly when the new look was to be completed is a matter for dispute. Advertising Age said the target date was late July,³ while Editor and Publisher claimed that the transition was to be gradual, proceeding on the basis of planned obsolescence.⁴

In any event, Capital planned to break the new trademark between May 15 and June 15, using full-page and 1000-line two-color newspaper advertisements in seventy-seven on-route cities.⁵ All subsequent advertising featured the new logo, of course, and it can be seen in Plates XXVIII-XXXII.

The "New Look" in Advertising

Cardinal Coach.--The second "new look" in advertising since K&E won the account in 1957, was brought about by the realization that airline advertising still suffered from a sameness in illustrative matter and bird-on-the-wing symbols.⁶ One of the first opportunities K&E had to fulfill its promise of a fresh concept and appearance was the campaign for Cardinal

¹ McIntyre, Editor and Publisher, March 26, 1960, p. 30.

² Advertising Age, March 7, 1960, p. 44. ³ Ibid.

⁴ McIntyre, Editor and Publisher, March 26, 1960, p. 30.

⁵ Ibid. ⁶ Ibid., p. 32.

Coach service.

The Cardinal Coach was Capital's belated answer to competitive daycoach operations--a service it had shunned for so many years. In 1959, for example, coach service accounted for only 18.4% of Capital's total operation, while the average for six of its major competitors was 47.3% of total operations. Capital's decision to enter the daycoach market in a big way, and right during the height of financial chaos, posed several problems: (1) the need to gain rapid identification as a daycoach operator, (2) the need to reach the broader, less sophisticated coach market, (3) the need to create a unique and memorable coach symbol, (4) the need to convince coach travelers that Capital had more to offer than its well-established, jet-equipped competition.

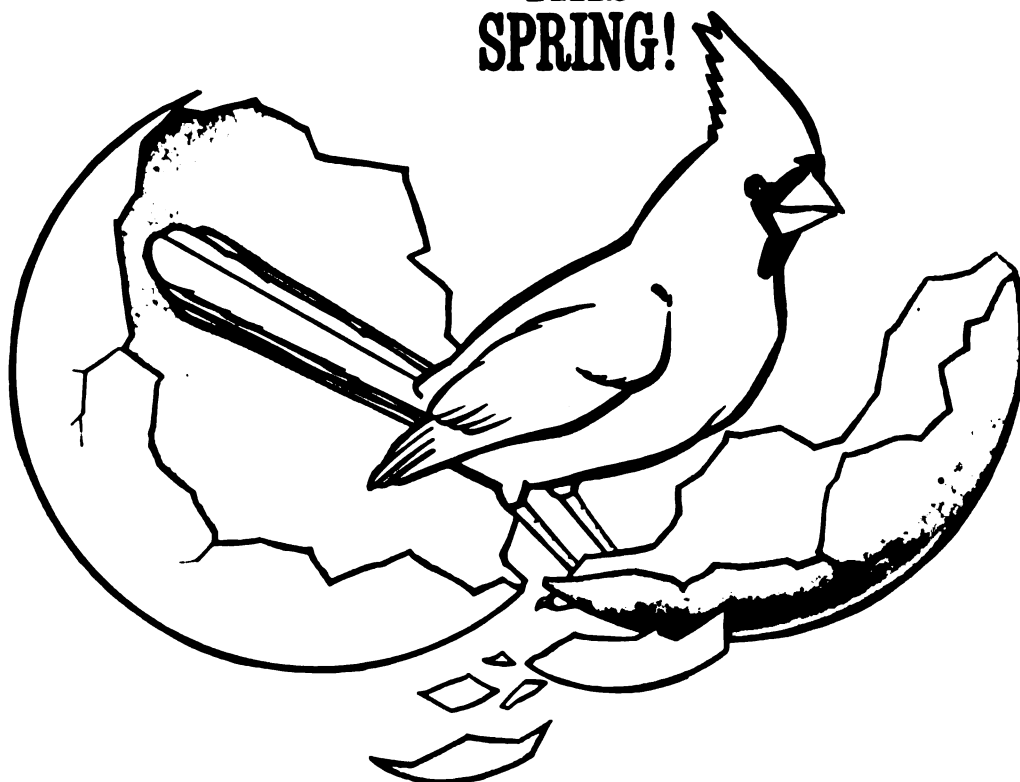
Cardinal Coach, said K&E, was the name that would give Capital a unique symbol for audio and visual purposes. Cardinal Coach, said Capital, would offer attractive and memorable extras to the coach passengers. Cardinal Coach service--"Economy with a Flair"--was promoted through local media, including outdoor, car cards, radio, and newspaper.¹ The latter, illustrated in Plate XXVIII, could not be said to suffer from "bird-on-the-wing" sameness--but it did have its share of birds.

Florida Summer Campaign.-- Capital's Florida vacation package for 1960 also took on a new look, using the theme

¹Capital Airlines, "Campaign Book," January 20, 1961.

PLATE XXVIII

**OUT
THIS
SPRING!**



A NEW VALUE IN AIR TRAVEL

CAPITAL CARDINAL COACH SERVICE

ECONOMY WITH A FLAIR TO

NEW YORK AND DETROIT

The Cardinal Virtues: Delicious meals ✓ Choice of beverage ✓ Four-engine, radar-smooth comfort ✓ Music en route ✓ Luxurious cabins ✓ And quick luggage service after your flight!

The Cardinal Economy: You get all the extra luxury . . . at no extra fare! Low Cardinal Coach air fare to New York only \$37.70, to Detroit only \$13.80. And Capital's amazingly low jet-powered Nightcoach fare to New York: \$34.50. all fares plus tax

Call your travel agent or Capital at BRoadway 3-8400.



"A week in a luxurious hotel for \$19.50," as illustrated in Plate XXIX. The campaign differed from those of the past in that it talked in terms of cost of hotel accommodations, with air fare extra, instead of referring to down payment or total price.

New York Summer Campaign.--Capital again offered its hit show package in 1960, but with greater flexibility. Now the prospective customer could choose from a "Hit Show Holiday" for theater-goers, or 208 "Festival Fare" packages that offered a variety of sight-seeing and length-of-stay options. The promotion was aided immeasurably when CAB gave the carrier permission to reduce round-trip air fares by an average of 25% between New York and forty-three cities from July to September. The reduced fares were tied into the vacation packages, which were pushed through an intensive advertising schedule involving newspaper, posters, displays, and handout literature in six Capital markets. The campaign produced 1,966 Festival Fare package sales, "as well as increased identification . . . in the New York air travel market."¹ A typical advertisement used in the promotion is shown in Plate XXX.

"Air Bus" and Jet Service.--Capital introduced a new service to Miami early in October, at just about the time the carrier's stockholders were approving the merger plan that would spell doom for it. The service was the "Air Bus"--a coach flight intended to compete with all modes of transportation, including an Air Bus already being run by Eastern.

¹Ibid.

A FULL WEEK'S VACATION FOR ONLY \$19.50*

FLY CAPITAL TO MIAMI BEACH!



* Plus Air Fare

**One week millionaire's vacation now
yours at unbelievably low summer rates**

A week in the millionaires' playground for \$19.50! Capital will set up a week of fun for you in Miami Beach for only \$19.50 (based on two to a double room). This unbelievably low summer rate includes 6 nights and 7 days at a cool ocean-front hotel, plus beach and recreation privileges! Low, low coach fares also to Tampa/St. Petersburg-Jacksonville-West Palm Beach.

Low, low air fares! Capital air fares make flying cheaper than driving . . . and lots more fun! Lots faster, too. You're in Miami in just a few hours. Capital's new Cardinal Coach service takes you non-stop to fabulous Miami and return for only \$123.86

round trip. Think your driving expenses (including gas, tolls, motels, etc.) could match that?

America's best vacation value: Capital's one-week carefree vacation (including round-trip air fares) only \$148.86. Capital will be glad to set up your *entire* vacation at the lowest possible rates. You can go for as little as \$14.36 down, then \$12.04 a month for 12 months. And while you're at it, why not fly on to the exotic Caribbean? The weather is perfect, and the rates are low! Right now, Capital can extend your vacation to Nassau, Haiti, Jamaica and other ports-of-call at low, low summer fares. (All Fares quoted include tax.)



Capital Airlines, Tour Dept. MOHawk 2206
Hotel Statler-Hilton, Buffalo, N. Y.

Please send me absolutely FREE complete details on
☐ Capital's Miami Beach Vacations.
☐ Capital's Florida Vacations.
☐ Capital's Caribbean Tours.

MY NAME.....

ADDRESS.....

CITY.....STATE.....

SAVE 25%
CAPITAL AIRLINES ANNOUNCES
FESTIVAL FARES
TO NEW YORK!
(July 7-Sept. 1)



CAPITAL
AIRLINES

Plan your vacation now at New York's Summer Festival. There's more fun for you . . . more savings, too! Fly *Capital* to New York this summer at the lowest fares ever offered. *Save 25%* on first class, 18% on Cardinal Coaches. Fact is, now you can fly Capital for less than it costs to drive! (For example: first class Festival Fare only \$48.85 — regular fare \$65.10 plus tax.) But that's not all. Capital's Summer Festival Vacation Plan includes hotel rooms, theatre tickets, sight-seeing, the whole works . . . at the lowest possible rates. Call your travel agent or Capital at FEderal 9-7661.

Capital Airlines, Tour Dept. **FEderal 9-7661**
515 Lutheran Brotherhood Bldg., Minneapolis, Minn.

Please send me, absolutely **FREE**, complete details on Capital's low Festival Fares and complete New York Summer Festival Vacation Plan.

MY NAME.....

ADDRESS.....

MY PHONE.....

CITY.....ZONE.....STATE.....

Capital's version was announced with a full-page newspaper ad early in October, "with the knowledge that our jet service would begin in late October," said advertising director Robert West.¹

The source of the jets for Capital's jet service remains a mystery, since no reference to a deal for jet equipment was evident after cancellation of the Convair transaction earlier in the year. Mystery or not, however, the airline spent \$137,505 for the pre-inaugural campaign involving newspapers, trade publications, radio, television, outdoor, and collateral advertising for Boeing 720 jet service, to commence between Pittsburgh and Miami on January 8, 1961.² While there is nothing to indicate that Capital's jet service ever got off the ground, the advertisement in Plate XXXI proves that such plans were indeed on the airline's agenda.

1961: The End Came Fast

Formal CAB approval for the United-Capital merger came on April 3, 1961, though in its sixty-page opinion, the Board expressed disfavor in having to resort to the move:

Notwithstanding the manifest implications of the merger in terms of maintaining a balanced route structure, we find that the public interest in preventing a collapse of the Capital system outweighs whatever disadvantages may inhere in the merger.³

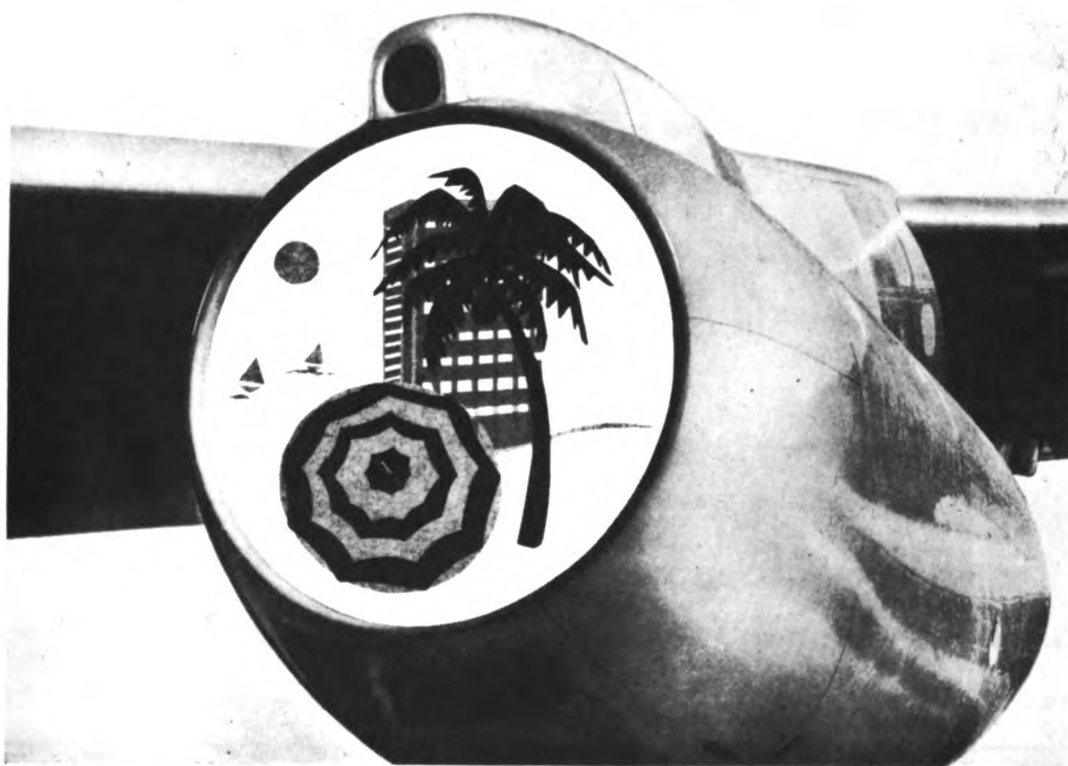
United, which had threatened to pull out of the merger if CAB refused to transfer all of Capital's routes to it, got

¹Ibid.

²Ibid.

³L. L. Doty, "CAB Bars Future Hasty Merger Action," Aviation Week and Space Technology, April 10, 1961, p. 47.

FIRST JETS TO MIAMI



On January 8th, Capital Airlines will launch the first and only pure jet flights from Pittsburgh to Florida! Twice a day, spanking new Boeing 720 jets will take off for Miami. What's more, the new Capital jets will offer luxurious First Class, low-cost Cardinal Coach and economical Nightcoach service.

The Boeing 720 is the *newest* jet flying today. The spacious cabins are as quiet and restful as your own living room. The ride is



so whispering-smooth that you'll hardly know you're moving. But you are: fast enough to get you to Miami in less than 2 hours!

Smart vacationers are booking their jet reservations right now. How about you? Call your travel agent or Capital Airlines at LOcust 3-7555. (Capital also offers the vacationer daily flights to Tampa and West Palm Beach, and easy connections on to Caribbean ports of call.)

Nothing beats the new Capital jets. But here's a budget bonus: Capital "Air Bus" flights to Miami start October 21st—only \$40. (That's less than car, train or bus!)

basically what it had demanded,¹ and as a result would expand its system to 18,000 unduplicated miles, serving 118 cities from Boston to Miami and New York to Honolulu.²

United Prepares to Absorb Capital

Although final consolidation of the two airlines would not take place until June, United was already making plans for phasing out the ninety planes it would inherit when CAB approval came. The plan called for: (1) retirement of the thirteen DC-3's and twelve DC-4's, which had accounted for 15.5% of Capital's total miles as late as 1959, (2) immediate introduction of jet service in certain major Capital markets, with gradual extension to all markets in which airport facilities permitted replacement of piston aircraft, (3) introduction of, or increased service in, some markets in which Capital was not flying or was providing only token service because of a lack of competitive equipment, (4) expansion of daycoach service, (5) expansion of cargo service.³

The major problem was what to do with the forty-one Viscounts that would remain after fifteen were returned to Vickers under terms of the merger agreement,⁴ since they would only add to United's surplus fleet of propellor-driven planes.

¹Ibid.

²"The Big Merger," Newsweek, April 17, 1961, p. 84.

³Doty, Aviation Week and Space Technology, November 28, 1960, p. 42.

⁴Four of the sixty Viscounts Capital had purchased were destroyed in five years of operation (Newsweek, April 25, 1960, p. 86).

United decided to operate the Viscounts, despite their inability to compete with more modern jet and turboprop planes, until they could be replaced by Boeing and Caravelle jets.¹ Pat Patterson pointed out that this would be a costly proposition in more ways than one, because of Capital's practice of valuating Viscounts lower than they really were for tax purposes. This would cost United millions of dollars in tax savings in future depreciation on the planes, since Capital's assets were worth less to United than they were to Capital, but Patterson dismissed the possibility that his company would inherit Capital's problems along with its equipment:

I felt . . . that the experience of Capital should not be indicative of what the results would be under a combined United-Capital operation. A large part of Capital's troubles had stemmed from the high annual carrying charges on its debt.²

The End Came With Little Fanfare

On June 1, 1961, the complicated legal and financial ends of the merger were tied up, and Capital Airlines was absorbed into the United System.³ The official end came with little fanfare in former Capital cities--if Lansing, Michigan, was a typical case--due largely to a last-minute attempt by other airlines to block the merger in court. The suits were dismissed on May 25, leaving precious little time for preparing a welcome for United. In Lansing, for example, the

¹Newsweek, April 17, 1961, p. 84.

²Cook, Aviation Week and Space Technology, October 24, 1960, p. 40.

³United Air Lines, Annual Report: 1961, p. 4.

demise of Capital Airlines might have gone completely unnoticed were it not for its signs being covered with temporary United Air Lines signs.¹

United did get on the track eventually, with an expanded 1961 advertising campaign that emphasized the advantages of the merged system, and sought to attain rapid recognition of United service in former Capital cities.²

The following paragraph, tacked onto an old Capital Airlines press release, tried gallantly to make the best of the merger:

For Capital Airlines, the merger with United marked the end of a long and colorful history. From its modest beginning on that April day in 1927, Capital had grown to become the nation's fifth largest air carrier serving 77 cities east of the Mississippi River. Throughout its long tenure, the company had made many contributions to the nation's air transport progress, and to the employees of Capital Airlines the merger with United represents another opportunity to continue their long record of service to America's air traveling public.³

Capital Airlines' epitaph appears on the painted bulletin in Plate XXXII, but its disappearance as a force in commercial aviation is deserving of further analysis.

¹Frank Hand, "United Air Lines Officially Welcomed to City," The State Journal (Lansing, Michigan), June 2, 1961, p. 13.

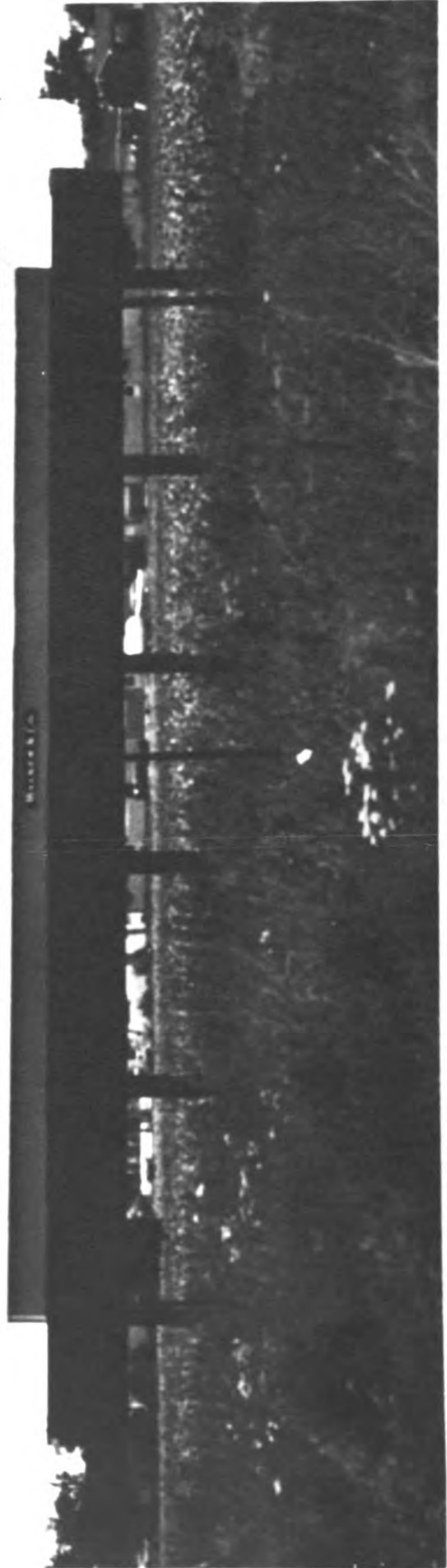
²United Air Lines, Annual Report: 1961, p. 13.

Capital Airlines press release, "Biography . . .," p. 7.

PLATE XXXII



.... **NOW WE ARE UNITED**



CHAPTER XIII

ANALYZING THE COLLAPSE OF CAPITAL

About two weeks after the stockholders of Capital and United voted for merger of the two carriers, David Baker offered some theories as to how Capital had brought itself to the brink of bankruptcy. Baker traced many of the carrier's 1960 troubles back to the late 1930's and early 1940's, when management failed "to visualize the future development of air transportation from DC-3 operations duplicating the Pennsylvania Railroad in the air to the entirely different operation experienced in 1950 and 1960."¹ In petitioning CAB for elimination of twenty-eight light traffic points on Capital's system in 1960, Baker noted how the carrier had come to suffer because of its original route pattern:

Since then technological progress in the aeronautic art has advanced rapidly. The progressive advent of pressurized, piston-powered aircraft, turboprop airplanes and pure jets have clearly outmoded operating patterns geared to the DC-3 and similar type equipment.²

An inefficient route system, then, was a prime reason for Capital's ultimate downfall. Through the years it had remained basically a short-haul airline, but with intense

¹Doty, Aviation Week and Space Technology, October 31, 1960, pp. 37, 38.

²Aviation Week and Space Technology, July 4, 1960, p. 44.

competition from long-haul carriers on all its important routes. Or, as Time put it:

Capital's troubles were aggravated by its zigzag route structure, which often ends nowhere, depends on seasonal travel, covers cities already served by . . . powerful competitors.¹

These powerful competitors had long hops to balance their route systems, while Capital's required stops were as close together as fifty miles, "acting almost as a businessman's commuter line."²

How did Capital justify the acquisition of its haphazard route pattern? This is something the Capital Shareholder Association wanted to know, charging that the airline had asked for too many routes, many of them unprofitable. Charles Murchison, speaking for management, could not deny the carrier's responsibility. "All the routes we have, we asked for," he said, but added quickly that CAB sometimes awarded the same routes to other airlines as well, when traffic did not warrant two carriers.³ This was no excuse for sitting by and watching the airline go down the drain, however, and Baker himself charged that part of the carrier's financial troubles stemmed from a lack of initiative in divesting itself of unprofitable routes or seeking longer routes or even considering merger, before his arrival on the scene.⁴

¹"Crisis at Capital," Time, April 25, 1960, p. 96.

²Time, December 9, 1957, p. 100.

³Newsweek, May 16, 1960, p. 94.

⁴Doty, Aviation Week and Space Technology, October 31, 1960, p. 37.

A short-haul operation is not necessarily an unprofitable operation, as witness the success of many domestic feeder lines. But Capital's pattern was a mixture of short- and long-haul routes, as has been seen, and this created another problem--how to operate efficiently, and competitively, on both types of routes. According to Baker, the airline had failed to provide for retirement of costly, out-dated aircraft and purchase of new equipment suitable to its needs.¹ Until 1954, in fact, the airline has relied solely on its DC-3's and DC-4's because the size, speed, and range of more modern aircraft would have made them less economical to operate on a short-haul basis, and it was at this point that Slim Carmichael turned to Viscount.

The British turboprop was the answer to Capital's problems--or so it seemed at the time. Capital not only attained competitive equality in short-haul markets, but it believed that Viscount was the plane best suited to its entire route structure. Charles Murchison staunchly defended this position when the employe association said in 1960 that Capital should never have bought the Viscounts, but he did back down a bit by admitting that Vickers' plan for financing the planes was also a major consideration--especially in view of Capital's financial condition.² Baker was more inclined to side with the stockholders than with Murchison on this matter, saying that while he had no complaint with the Viscount itself, the plane was not "well adapted" to Capital's route system in

¹ Ibid.

² Newsweek, May 16, 1960, p. 94.

terms of cargo capacity, seating capacity, or range. Despite Carmichael's build up of Viscount as having a 1,500-mile range, Baker said the maximum range was 1,100 miles--less than half that of any competitive plane--resulting in cancellation of the longest, most profitable routes in bad weather.¹ He added that at other times Viscounts were forced to land en route to refuel--something that Carmichael did not find at all disturbing, it will be recalled.

Another point on which Carmichael and Baker disagreed was the profit potential of the Viscount. Carmichael had predicted that it would be the most profitable plane in the industry, but Baker said that not only did it have perhaps the slimmest profit margin in the industry,² its profit potential had always been less than half that of any competitive airplane.³ Furthermore, while the rest of the industry had met expanding costs by increasing speed and capacity per plane at a planned rate, Viscount gave Capital only temporary equality in speed and less capacity.⁴ Viscount, which had been counted upon to lead Capital upward, turned out to be another weight dragging it downward.

David Baker also pinned a share of the responsibility for Capital's demise on the management team that preceded him,

¹Doty, Aviation Week and Space Technology, October 31, 1960, p. 37.

²Business Week, April 23, 1960, p. 86.

³Doty, Aviation Week and Space Technology, October 31, 1960, p. 37.

⁴Ibid.

charging that it lacked planning, objectives, policies, and organization. There was a serious clash between operations and sales, the function of passenger policy was split, and management's relationships with communities, states, and the CAB staff were unsatisfactory. Baker was also critical of the labor situation at Capital, which had to deal with an undisciplined mechanics union whose chairman had as much influence on company operations as did any individual in management, he said.

Add to all of Capital's route, equipment, operational, and management problems the lack of a long-range financial program, and it was no wonder that the carrier one day found itself in a financial condition described by Baker as "inflexible, marginal and certainly critical."¹

Where Advertising Came In

It is noteworthy that nowhere in his analysis of Capital's collapse did ex-president Baker mention the carrier's advertising and promotion programs. This can be interpreted in at least two ways: (1) either he felt advertising did not contribute to the downfall of Capital, or (2) it wasn't important enough a factor to mention.

An anonymous airline executive, talking about airline advertising in general, seemed to be in accord with the latter alternative, for he was quoted in Printers' Ink as saying the following:

¹Ibid.

The only real difference between airlines and the only thing they can effectively advertise is their schedules. On this customers decide which line to use.¹

Printers' Ink took exception to this comment, adding parenthetically:

However, as long as one airline does more business than another with pretty much the same kind of schedule, there would seem to be another element in the marketing picture. That could just be creative advertising.²

Both views are oversimplified, of course, since airlines do differ in many areas--quality of service both in-flight and on the ground, type of equipment, ability to live up to their schedules, and so on. But even if the Printers' Ink theory that advertising might be the stimulus for increased business if all other things were held constant were true, it would not apply to Capital Airlines. Probably at no time in its history was Capital "equal" to other airlines in terms of routes, aircraft, schedules, or customer service.

The question then becomes: given Capital's unique marketing situation, did advertising tend to accelerate, retard, or have no apparent effect on Capital's slide toward oblivion?

A scarcity of advertising samples from Capital's beginnings as Pennsylvania-Central Airlines, and up through the pre- and post-war years, makes assessment of the carrier's early efforts understandably difficult. Nevertheless, the examples that were included in the preceding pages tended to

¹"Airlines Scrap for More Passengers and Choice Superlatives in Jet Age Campaigns," Printers' Ink, January 15, 1960, p. 11.

²Ibid.

rely heavily on price and destination claims, both of which might have left the prospect with the feeling--"So what? Other airlines fly to these cities, too, and the fares are identical because they're regulated by CAB." Since it is also not unreasonable to assume that most early airliners were probably either Boeing 247's or Douglas DC-3's, the creative challenge would have been to promote differences in an area such as customer services--a challenge that apparently was not taken up. A clue as to Capital's lack of satisfaction with its advertising is the frequency with which it switched agencies until 1946, even going so far as to place it direct for two years.

Capital's first big opportunity to cash in on advertising came in 1948, when it pioneered scheduled aircoach service in the United States. The lack of fanfare which accompanied the new service, and the lack of publicity about it in the trade press, would seem to indicate that the carrier failed to take advantage of its competitive coup initially. Advertising for Aircoach picked up as the new service caught on, but by the time the "Flying Scotchman" theme was adopted, the competition had caught up with Capital.

In 1950, Capital launched the most extensive promotion campaign in its history for its new Constellation service. But in spite of the aura of elegance surrounding it, price was prominently featured, perhaps detracting from the very illusion Capital sought to create for Constellation. In any event, the competition was starting to pull away.

For the next few years, Capital attempted to generate as much excitement as it could for its fleet of obsolete aircraft. Its 1951 campaign for Constellation showed major creative changes both visually and in copy, if the ad in Plate IX was typical. Now the illustration was dominant, the copy short and free of any price claims. By 1954, the consumer advertising had taken on still another look, with destination singled out for emphasis and Constellation pushed into the background.

It was also in 1954 that Capital embarked upon a campaign that paled the Constellation effort of four years earlier. The promotion was, of course, to herald the imminent arrival of Viscount--"A New Concept in Flight." At last Capital had something different to offer the air traveler, something so unique that no other domestic airline would be able to match it for several years--the turboprop. The pre-introductory campaign obviously did an outstanding job in laying the groundwork, for Capital's Viscount was a hit practically from the first day. In follow-up campaigns, Capital continued to hit hard at the competition with its new weapon. But in retrospect, Capital might have made a serious blunder in assuming that the public was not ready for the concept of the jet, and in thereby declining to exploit the magic imparted by the words "jet-powered."

When Capital moved its advertising account from Lewis Edwin Ryan to Kenyon & Eckhardt in 1957, there were promises of a "new look" for airline advertising, but by the time the

carrier folded in 1961, K&E would create two "new looks" for it. The over-all impact of Capital's advertising during these final years of its existence can be evaluated more critically than earlier efforts, thanks to the availability of information from the airline and agency.

Robert West, Capital's advertising director, was quite pleased with some of K&E's work, which "struck out in new directions and set new patterns for domestic airline advertising."¹ It was also true, however, that some of the campaigns failed to attain the objective of increased sales. West did not attempt to evade the responsibility for the unsuccessful efforts, but he did seek to put them in perspective, saying there were at least four problems "peculiar to Capital during the past few years that have complicated the advertising job and occasionally obscured or damaged its effect."²

The major problem involved "inordinate pressures for immediately high load factors on new services," which resulted in abandonment of campaigns "that good advertising judgment would have continued."³ In fact, West's greatest criticism of the advertising programs developed by K&E was not with the agency itself, but with management decisions that resulted in "the frequent shift in direction and failure to give good advertising campaigns a chance."⁴ Two such campaigns were the 1958 promotion for hourly service--abandoned because of abrupt changes in schedules--and the "Live it up for \$00.00

¹Capital Airlines, "Campaign Book," January 20, 1961.

²Ibid.

³Ibid.

⁴Ibid.

down" Florida promotion--which required "sufficient time to develop in persuasiveness, but . . . was scuttled before the summer season really began because of initially low package sales."¹

A second problem was the pressure on individual district sales managers to produce satisfactory load factors. This resulted in "too much dictation . . . of advertising form and content" on the local level, which tended "to reduce the creative effort to 'what the competitors are doing.'"²

Another trouble area was the instability of management itself. In less than three years, K&E and Capital's advertising director worked with five different sales managers, "each with markedly differing advertising views."³

The fourth problem pinpointed by West as affecting Capital's advertising effectiveness was the financial condition of the airline. The continuing crisis "caused occasionally sharp budget adjustments, [which] increasingly . . . prevented adequate long-range planning and led top management to expect more from advertising than reasonable judgment should expect."⁴

How effective was Capital's advertising? Over-all, it seems to have done little either to postpone the airline's final undoing or to hasten it. On a campaign-by-campaign basis, it seemed to have helped Capital a great deal at times, and done no worse than have no measurable positive effect at other times. The carrier could be charged with mishandling

¹ Ibid.

² Ibid.

³ Ibid.

⁴ Ibid.

at least three major campaigns--Aircoach, Constellation, and Viscount. It could be criticized for putting far too much effort into promotions for charter and group flights, which traditionally accounted for only 2% of total revenues. And its inability to meet competitive expenditures in individual key markets could be questioned.

But there can be little doubt that Capital's advertising department and agencies did some amazing things down through the years with funds that were inadequate by competitive standards, and considering the nature of the operation that the advertising was supposed to sell to the public, perhaps it did not fair too badly after all. As Bob West said:

Advertising, of course, is no panacea. However important we believe it to be, it is only one factor in the total marketing situation.¹

¹Ibid.

APPENDIX

TABLE I
FINANCIAL STATUS OF CAPITAL AIRLINES, 1940-1959

Year	Total Operating Revenues ^a	Total Operating Expenses ^a	Operating Profit or (Loss) ^b	Total Net Assets ^a
1940	\$ 2,900,000	\$ 2,800,000	\$ 100,000	\$ 3,100,000
1947	20,300,000	21,200,000	(880,000)	16,000,000
1948	23,200,000	22,400,000	840,000	16,300,000
1949	26,700,000	25,400,000	1,320,000	11,600,000
1950	29,800,000	27,600,000	2,200,000	17,000,000
1951	38,700,000	35,000,000	3,680,000	18,500,000
1952	40,400,000	38,400,000	1,990,000	19,400,000
1953	45,600,000	42,500,000	3,080,000	21,900,000
1954	48,100,000	45,700,000	2,400,000	25,000,000
1955	50,800,000	50,400,000	490,000	31,900,000
1956	63,700,000	66,500,000	(2,800,000)	89,400,000
1957	94,100,000	94,000,000	40,000	87,000,000
1958	95,500,000	92,500,000	3,060,000	81,700,000
1959	108,500,000	108,200,000	250,000	73,600,000

^a To nearest \$100,000.

^b To nearest \$10,000.

Sources: Capital Airlines Annual Reports, 1948-1959; Capital Airlines [Pennsylvania-Central Airlines] Annual Report: 1947; Pennsylvania-Central Airlines Annual Report: 1940.

TABLE 2
PASSENGER STATISTICS FOR CAPITAL AIRLINES, 1940-1959

Year	Passenger Seat Miles Operated ^a	Passengers Carried	Revenue Passenger Load Factor ^b
1940 . . .	37,578,753	210,433	53.18%
1947 . . .	292,177,505	1,100,545	54.18
1948 . . .	281,534,455	1,033,573	49.27
1949 . . .	361,697,684	1,215,672	50.78
1950 . . .	798,002,167	1,405,814	53.85
1951 . . .	1,016,615,707	1,951,356	60.56
1952 . . .	1,107,125,778	2,011,264	57.59
1953 . . .	1,214,812,793	2,248,998	58.99
1954 . . .	1,303,787,945	2,426,961	58.69
1955 . . .	1,363,911,000	2,570,170	58.94
1956 . . .	1,767,965,000	2,984,410	57.78
1957 . . .	2,571,326,000	3,949,844	58.87
1958 . . .	2,443,643,000	3,541,292	57.86
1959 . . .	2,759,941,000	3,871,275	58.42

^a A passenger seat mile equals the number of seats per plane per mile operated.

^b Revenue passenger load factor equals the percentage of seats occupied per plane.

Sources: Capital Airlines Annual Reports, 1950, 1954, 1959.

TABLE 3
COMPETITIVE ADVERTISING EXPENDITURES OF THE SEVEN
LEADING DOMESTIC TRUNK AIRLINES, 1951 v. 1956

Airline	1951 Expenditures		1956 Expenditures		Percent Change in Total Expenditures 1951 to 1956
	Space Costs (millions)	Total ^a (millions)	Space Costs (millions)	Total ^a (millions)	
Capital	\$1.012	\$1.158	\$1.485	\$2.114	+ 100%
TWA	1.551	3.283	2.887	5.858	+ 75
American	1.563	2.230	3.435	5.631	+ 150
United	1.100	2.372	2.978	5.230	+ 120
Eastern	1.030	1.615	3.782	4.494	+ 180
National	.774	.912	1.328	1.924	+ 150
Delta	.629	.920	1.465	1.912	+ 150

^aIncludes promotion, timetables, schedules, salaries, travel, and other costs.

Source: Hughes, Sales Management, October 4, 1957, p. 72.

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