



DAC - MDC - Boeing Retirees  
of California

# Roundup

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## Jim's Corner

It looks as though we are finally turning the corner on overcoming the Covid virus, but still keeping my fingers crossed! At this point (mid-April) Sycamore Centre is still not open to host large gatherings. While we were hoping to have a luncheon prior to our regular scheduled one in October, it looks like that will not be possible. So, we are now focused on starting up our Luncheons again on the first Tuesday in October. This of course will depend on what the Sycamore Centre can do. If this all works out, look for a Luncheon Reservation Card in the September ROUNDUP which you should be receiving in early September. If by chance things start moving faster, we may still try and get an additional Luncheon squeezed in but that is likely a long shot at this point.

Hope you have taken advantage of the "Staying Together" video program Elayne Bendel has put together (announced in the February ROUNDUP) and have had the opportunity to watch the "Air Warriors C17" documentary. We plan to provide additional videos of products many of us or our industry have been associated with.

This October brings us to election time for your Board of Directors for a two-year term for the years 2022 and 2023. It is planned to have that election per the Retiree Association By Laws at the October Luncheon. We need new Board Members to ensure that the Association can continue. Several Board members have served more than 10 years and are considering stepping down. The Association needs some new faces to continue it into the future. If you have a desire to serve on the Board, contact any of the current Board Members or send an Email of your interest by going to the DAC MDC Boeing Retirees website and click on the "Membership Information Email" link on the right side.

Through the ROUNDUP we will keep connected and up to date on our next Luncheon opportunity. In the meantime, please take all the necessary precautions to help protect you and your families from the virus.

**Jim Phillips, President, DAC/MDC/Boeing Retirees**

## DC-6 Feature for 'Staying Together' Video Program is Added to Our Website

We have added a new video feature on our association's Website to help all of us stay connected with each other and our business.

Click <http://www.macdacwestretirees.org/> to access the latest recommendation under the heading **Staying Together**. The videos are archived in the YouTube online application, which you can stream on your computer, smart phone, smart TV or through the same device you use to view your Netflix, Disney or other streaming channel.

By now we hope everyone has viewed our inaugural **Staying Together** video, a 51-minute program featuring the C-17 called *Air Warriors C-17* that was first produced and aired on the Smithsonian Channel.

Our latest recommendation is entitled, *Flying Bulls DC-6 Restoration of a Diva*. There are numerous online versions of this restoration program available. Our recommended video version runs 13:57 at <https://www.youtube.com/watch?v=x4PlcKf-XRw&t=219s>.

The title role is played by a DC-6 originally delivered in late 1958 to Yugoslav Aerotransport (JAT) as one of the last two DC-6s built. It was converted to an executive airliner by head of state Jozip Tito seen in the Museum of Yugoslavia photo of him standing in the aircraft's aisle. Tito led a Communist state during the Cold War but was adroit at making overtures toward the West while at the same time keeping Soviet leaders from crushing his regime.



The DC-6 was an important part of his international diplomatic efforts during nearly 60 trips abroad to such nations as

India, Sudan, Syria and Ethiopia, as he used it to host foreign leaders in grand style.

Tito kept the DC-6 until 1975 when he gave it to his good personal friend Zambian President Kenneth Kaunda for his use, along with the second DC-6 that was originally delivered to JAT at the same time and used by the airline since 1958.

Kaunda used the Tito DC-6 for transport around Africa in the mid-1970s. Both DC-6s eventually were shelved in favor of jets and stored away in a remote hangar at Zambia's main airport in Lusaka for more than 15 years. In 1992 the two planes were discovered by pilot Chris Schutte, who operated a sightseeing charter airline in neighboring Namibia.

The 'Tito' Douglas was in extremely good shape for its age, with only 4,700 logged flight hours on it. So Schutte made a deal with the Zambian Air Force and purchased both planes for his tour business. They flew during the 1990s until political unrest in nearby Angola seriously reduced tourist traffic.

Then Schutte put the Tito DC-6B up for sale in 1999. It was purchased in 2000 by Siegfried "Sigi" Angerer, then the head pilot for "The Flying Bulls" collection of vintage airplanes based in Salzburg, Austria, which he operated with Austrian "Red Bull" energy drink magnate Dietrich Mateschitz.

Getting the vintage aircraft to Austria after the purchase was no easy task, nor was the four-year restoration effort that was completed in 2004. An international team spent many loving hours on the project as you will see in the video which culminates with the DC-6's second 'first flight.' The restored aircraft with new, but vintage look, livery is shown below.



## Laker Airways Part II: Severe Headwinds Buffet Laker Following Rapid Early



### Growth

By the end of 1980 Laker Airways was flying high with both successful charter operations and a very popular, low cost, high density Skytrain service. At the dawn of airline deregulation its outlook was rosy and it planned continued expansion. But storm clouds were forming.

Its operational success led to continued resistance from other carriers. The oil embargo of 1979 resulted in a worldwide recession in the early 1980s and Laker's financial position was not strong in comparison to other carriers.

Laker added service to Tampa, Florida in 1981 from Gatwick, Manchester, and Prestwick. Its fleet was 20 aircraft – 11 DC-10s, three A300s, two 707s and four BAC 1-11s, doubling Laker's size within only five years and reaching 2,000 employees.

During summer 1981, Laker operated up to three daily frequencies each way between Gatwick and JFK and Gatwick and Miami as well as twice daily roundtrips between Gatwick and Los Angeles. This made Laker the fourth biggest transatlantic scheduled airline between the UK and U.S. as well as fifth biggest overall. By that time, the airline had carried over two million Skytrain passengers.

These achievements were more than just a gnat on the flank of an elephant to the established air carriers. Competition from Laker was real and Sir Freddie's long-held belief that a market existed for passengers unable to pay the full fares of the traditional carriers proved prophetic. Laker had always argued that the low fare passengers were new business to the industry rather than stealing market share from the other airlines. The competition disagreed and the battle lines were drawn.

### Plans for a new low-fare Australian service

In 1980, Laker Airways withdrew its application to run ABC flights to Australia. Instead, it proposed a scheduled low-fare service from London Gatwick

with one stop. It was to be one flight a day in each direction using the airline's five DC-10 Series 30s. Unlike Skytrain, it was to feature a first class called Pullman. It was to operate three flights per week each to Sydney and Melbourne and one to Perth.

The British CAA rejected Laker's application for a UK–Australia scheduled low-fare service and a rival application from BCal. It considered Laker's market growth forecast overoptimistic. But the CAA told BCal that it considered its proposal for a new, faster service to Australia superior to Laker's, and that it would, therefore, look favorably on its application if it wished to re-apply with specific proposals for a joint Anglo-Australian operation.

### **Second designated UK carrier to Hong Kong**

Meanwhile, the UK government in 1979 opened the route between London and Hong Kong to competition from a second British scheduled carrier to ease seats shortages at peak times on the ten-times-a-week monopoly service by British Airways from Heathrow. A race ensued when BCal, Laker and Cathay Pacific, Hong Kong's de facto "flag carrier", filed their applications with the CAA in London.

Laker proposed a daily Skytrain linking Gatwick and Hong Kong via Sharjah to be operated with single-class, 380-seat DC-10-30s expanding to larger 747s when this was justified by increased demand.

The company tried to convince the CAA that its additional all-economy class discount service was the best option to alleviate the seat shortage on this route by serving the bottom end of the economy market, the most under-served segment due to the scarcity of low fares and pointed to success of its transatlantic Skytrain in helping create demand.

The other airlines used Laker's analysis to support their claims that Skytrain would flood the market with cheap seats that risked undermining profitability without doing anything to alleviate the shortage of premium seats.

The CAA awarded a license to operate unlimited scheduled services between London and Hong Kong to BCal, which proposed a conventional service from Gatwick via Dubai, using its growing fleet of DC-10-30s in a three-class configuration featuring a first and an executive class in addition to economy.

BCal had proposed a number of low fares that would match the lowest Laker fares. The CAA rejected Cathay Pacific's and Laker's applications, allowing



UK carriers Laker and BCal remained bitter rivals, but both were DC-10 operators.

BCal to become the second British scheduled carrier on that route.

Both Cathay Pacific and Laker protested the award and appealed the decision. Ultimately, the Secretary of State overturned the CAA's decision and opened the route to all three airlines without placing restrictions on frequencies of service. For Laker this turned out to be a partial victory because Hong Kong's Air Transport Licensing Authority (ATLA) continued to refuse a reciprocal permit, without which Laker's service remained grounded.

Cathay Pacific started thrice-weekly service between Hong Kong and London using a 747 and BCal began a four-times-a-week London Gatwick – Hong Kong service via Dubai on Aug. 1, 1980 using a DC-10-30.

### **Globetrain**

Laker Airways planned to link its Gatwick – Los Angeles Skytrain with the proposed Gatwick – Hong Kong Skytrain across the Pacific via Honolulu and Tokyo to create the first daily round-the-world through service by a British airline in both directions. This was to be marketed under the trademark Globetrain but they later abandoned it for failure to obtain the necessary permits.

In September 1978, Laker Airways had become the UK launch customer for the Airbus A300, short and medium-haul widebodied jet, ordering 10 series B4 aircraft in a 314-seat single-class configuration to serve a network of European Skytrain routes. The majority of the low-fare network was not going to touch the UK, making it the first pan-European commercial airline. Laker's European Skytrain plans were opposed by BCal, which wanted to expand its own European network. BCal came up with its less ambitious proposal to counter Laker's. Excluding BCal's existing four European routes, it envisaged linking Gatwick with 20 additional points on the Continent. Services were to be operated during off-peak times. BCal was considering MD-80s and the

Airbus A310 as long-term replacements for single-aisle aircraft on these proposed routes.

Dan-Air and Britannia Airways, the UK's leading charter airlines, feared that without reciprocal foreign regulatory approvals Laker would be forced to dump this additional widebody capacity on the European charter market, creating excess capacity that would collapse charter rates.

The CAA heard Laker's as well as BCal's and other UK independent airlines' proposals. It initially rejected Laker but subsequently awarded two scheduled licenses to Laker Airways, one for Gatwick – Berlin Tegel and the other for Gatwick–Zürich. This followed British Airways' decision to abandon short-haul routes it had been operating from Gatwick at low frequencies and to surrender the unused licenses to the CAA.

By the time the CAA awarded Laker these licenses, the airline was experiencing financial difficulties and had to dispose of three A300s to cut costs by reducing the number of aircraft types as well as its overall size. Laker Airways intended to begin operations on both routes during the spring of 1982, operating two daily flights each way using spare capacity on its remaining BAC 1-11s. The airline folded before the inaugural date.

Laker introduced a short-lived scheduled service between Manchester and Zürich during 1981, which it operated at one flight per day in each direction using a newly delivered A300.

This route, the airline's only short-haul scheduled operation, had come about only after British Airways' decision to abandon its loss-making Manchester–Zürich services. The airline's subsequent withdrawal and its demise in turn resulted in Dan-Air's becoming the UK flag carrier between Manchester and Zürich.

BCal began offering *Miniprix* fares on off-peak services on Gatwick–Amsterdam after it had obtained approval from the UK authorities and their Dutch counterparts.

### **Additional Skytrain routes to the United States**

Laker Airways sought to strengthen its position as a transatlantic airline by applying to the CAA and the U.S. Civil Aeronautics Board (CAB) for licenses to serve additional U.S. cities under the Bermuda II UK-US accord. Both the CAA and the CAB approved the application to commence daily

Skytrain services from Gatwick, Manchester and Prestwick to Chicago, Detroit, Oakland, Seattle and Washington DC.

But Laker did not have aircraft to use these licenses immediately. Its deteriorating financial position did not allow it to add more. By the time Laker Airways folded, those licenses remained unused. They were eventually allocated to other airlines.

### **Financial Woes**

Laker Airways did not have the financial strength to survive the early 1980s recession and competition by the established scheduled airlines. It was a financial minnow compared with established flag carriers and BCal. Per Laker's 1980 balance sheet, its paid-up share capital was £504,000, compared with BCal and British Airways, whose issued share capital stood at £12 million and £100 million respectively.

Laker (90 percent) and former spouse Joan Laker (10 percent) owned all the share capital. The airline's ultimate holding company also was in an off-shore tax haven outside the jurisdiction of UK law and increased lenders' risk to get their money back.

Further, Laker Airways was not backed by any significant assets. The bulk of its fleet was leased, as was the maintenance hangar at Gatwick that also housed the airline's offices. The only financial backup that Laker Airways had was Sir Freddie's stud farm and his personal wealth.

The UK and U.S. were in recession in the early 1980s, with negative or low growth, high unemployment, high inflation and high interest rates. Still, Laker was expanding with commercial success generally and of Skytrain in particular. But it needed to keep it up. Eventually, the company borrowed at high interest rates, a major cause for increase in the firm's borrowing costs and debts.

Although Laker Airways' fleet had a greater proportion of modern widebody aircraft than most of its competitors, making it cheaper to operate and maintain, the airline felt the sudden tripling of the price of crude oil after the Shah of Iran's fall from power. Laker Airways had to pay the high spot market oil prices because it could not hedge future supplies with fixed-rate, forward purchases.

The airline tried to protect itself against sterling-dollar exchange rate fluctuations by buying US dollars at a fixed rate, required because most of its costs were in dollars and most of its income in

pounds sterling.

The company wrongly anticipated the sterling-dollar exchange rate for the 1981-'82 winter season. During all 1980 and the better part of 1981 the rate was 1:2. The pound could buy two dollars because sterling was kept high by Britain's North Sea oil exports and high crude oil prices. Laker Airways did not anticipate the speed of sterling's subsequent decline. This meant that it needed to pay more for dollars than it had originally budgeted, leading to an outflow of funds at a time of financial crisis.

### **Beginning of the end**

There came a point where the traditional carriers finally lowered the boom on Laker. Although Laker Airways had lower costs and a simpler structure, it needed high year-round loads to make money at discount prices. Most of the passengers traveled during the summer peak period, but it was challenging to achieve high loads during the winter.

The beginning of the end came when Pan Am, a transatlantic competitor, in October 1981 dropped its lowest economy fares competing with Skytrain by up to 66%. Laker retaliated with a cut-price premium cabin called *Regency Class*. After the end of the 1981-'82 winter peak, there was insufficient traffic to support four airlines competing across the North Atlantic between January and March.

At this point, state-owned British Airways and TWA, Laker's other transatlantic competitors, dropped their fares by a similar amount. As a result, Laker's loads and cash inflow halved between October 1981 and February 1982, and Laker may also have had a downturn from DC-10 backlash after three high-profile DC-10 fatal accidents in 1979.

### **Final blow**

As can be seen by this entire 2-part story, MDC was caught in the middle, with both Laker and BCAL as its customers as well as important established traditional carriers in Europe and elsewhere.

Ultimately, Wikipedia reports, MDC played a major role in Laker's demise. The final blow came when British Caledonian found out about a £5 million rescue package that MDC and General Electric, suppliers of DC-10's CF6 engines to Laker, (as well as to BCAL) had put together.

BCAL wrote to other operators of the DC-10 and CF6 in Europe saying that BCAL on behalf of all European operators warned MDC and GE that in the event of

the rescue for Laker being approved, none of these airlines would do business with GE or MDC.

McDonnell Douglas and GE did not go ahead. Laker Airways collapsed during the early morning of February 5, 1982 with debts of £270 million, the biggest corporate failure in Britain.

Sir Freddie sued IATA member airlines British Airways (BA), BCal, Pan Am, TWA, Lufthansa, Air France, Swissair, KLM, SAS, Sabena, Alitalia and UTA for conspiracy to put his airline out of business by predatory pricing. They settled out of court for \$50 million. British Airways reached a separate out-of-court agreement with Sir Freddie personally for £8 million.

In July 1985, BA agreed to contribute an additional \$35 million on top of its earlier out-of-court agreement with Sir Freddie and the \$50 million other airlines named in the lawsuit Sir Freddie had filed in the U.S. collectively offered Sir Freddie in an earlier out-of-court settlement. The total amount contributed by all parties enabled Sir Freddie to pay off his outstanding debts of \$69 million, permitted BA to proceed with its own privatization and saved the other airlines from potential bankruptcy.

Following Laker's demise, the first week of February 1982, some aircraft the airline had operated at that time were quickly re-allocated to other operators. These included two DC-10-10s that joined the fleet of British Caledonian charter division, four BAC 1-11 300s that replaced the seven 1-11\_200s BCAL had inherited from British United Airways at the time of its formation and two Airbus A300B4s that were placed with Air Jamaica.

### **Lasting Impact on the Industry**

While Laker Airways failed, low fares and buying meals on board became popular. Similarly, buying tickets on the day of travel has been adopted by airline shuttles plying the United States' Northeast corridor and on the Eastern shores of Australia.

Laker's most important legacy was pioneering low-fare services across the Atlantic that helped pave the way for low-cost airlines such as EasyJet and Ryanair, liberating the industry from the regulatory straitjacket IATA had imposed for decades in collusion with governments, which invariably were sole or majority owners of most IATA airlines. This was Laker's greatest contribution to its industry's future development.

However, unlike Laker, the vast majority of low-cost airlines have limited themselves to short and midrange flights and shunned the long-range market. Almost all attempts to enter the long-range market with a low cost model have ended within a couple of years in either withdrawal or bankruptcy.

Sir Freddie Laker became an inspiration for Sir Richard Branson and Virgin Atlantic, when they set about deciding their long-term strategy

*Thanks to Elayne Bendel for this great memory of DC-10 History.*

## Boeing Retiree 2021 Q1 Update

### **Boeing CEO Statement on attacks against Asian, Asian American and Pacific Islander**

On March 18<sup>th</sup>, Boeing President and CEO Dave Calhoun [shared the following message](#) with employees: The increase in discrimination and brutality and tragic loss of life that members of the Asian, Asian American and Pacific Islander communities have continued to face throughout the past year weighs heavily on us. Our own teammates, including members of our Boeing Asian and Pacific Association (BAPA) Business Resource Group, are sharing painful stories of xenophobia and discrimination, and of family members and friends unfairly targeted. We must stand with them through this devastating experience and speak out against hate and bigotry. We extend our unwavering support and solidarity to our team members of Asian descent. **There is no place for racism or violence in our society or at Boeing toward any group, and our tolerance for any form of discrimination is zero.** We stand together, united by our values and our respect for one another.

### **737 MAX Return to Service Update**

[Southwest Airlines announced](#) a new order for **100 airplanes** and 155 options across two models. The deal comes after a multi-year fleet evaluation by Southwest and means that Boeing and its suppliers could build more than 600 new 737 MAX jets for the airline through 2031. Longtime partner [Alaska Airlines](#) also completed an agreement for **23 737-9 airplanes and 15 options**. With this agreement, the carrier's 737 MAX order book, including options and lease commitments, stands at 120 airplanes. Earlier in March, Investment Firm [777 Partners ordered 24 airplanes](#) with purchase rights for 60 additional airplanes.

### **Boeing Inducts First EA-18G Growler for U.S. Navy Modification Program**

Boeing has started [a five-year modification program](#) for the **U.S. Navy's EA-18G Growler fleet** with the induction of the first jet at Naval Air Station Whidbey Island. The modifications are focused on updating the jets' structural and mission systems architecture, enabling future capability growth for the Navy's 160 Growler aircraft. Growlers serve a critical role in jamming radar and communications signals of threat forces, disabling their ability to detect and track U.S. and allied military forces.

### **Boeing, NASA Complete Hot Fire Test of Space Launch System Core Stage for Artemis**

[Boeing's cryogenic core stage](#) for NASA's first Space Launch System (SLS) rocket **completed hot fire testing today at NASA's Stennis Space Center as part of the SLS rocket's Green Run test campaign** on the B-2 test stand. Data from the test validated the core stage's successful operation and will be used to help certify the stage for flight. After post-test checkouts, the core stage will go to NASA's Kennedy Space Center in Florida for integration with the Orion crew spacecraft, Interim Cryogenic Propulsion Stage upper stage, and solid rocket boosters, and then be prepared for launch.

### **Boeing Nets \$1.7B for P-8A Poseidon Submarine Hunters**

The [U.S. Navy awarded Boeing](#) a **\$1.6 billion production contract for the next 11 P-8A Poseidon aircraft**. Nine aircraft will join the U.S. Navy fleet and two will go to the Royal Australian Air Force (RAAF), a cooperative partner in the P-8A joint program since 2009. The contract brings the total number of U.S. Navy P-8A aircraft under contract to 128 and the RAAF total to 14.

## Welcome New Members

Leona Bastian, C1, Aerodynamics, Stability & Control

Gary A. Kuepper, C1, C-17 Liaison Specialist