

Two Airlines Face New C.A.B. Charges On Campaign Gifts

NYTimes MAR 13 1975

By ROBERT LINDSEY

The Civil Aeronautics Board's enforcement branch yesterday charged Braniff International Airways and American Airlines with diverting up to \$1.2-million into secret political funds and urged the board to consider revoking Braniff's license to operate.

The two airlines were earlier fined for making illegal contributions to the 1972 campaign fund of President Nixon. But the C.A.B.'s bureau of enforcement accused the two airlines of much more extensive illegal siphoning of airline funds into secret political kitties and of systematically falsifying their records to conceal the use of their revenues.

The disclosures were made almost one month after the head of the enforcement bureau, William M. Gingery, committed suicide and left a puzzling note suggesting that secret airline contributions extended far beyond the case of American and Braniff. The note also alluded to possible efforts within the regulatory agency to conceal evidence of such contributions. A Senate subcommittee headed by Senator Edward M. Kennedy, Democrat of Massachusetts, has scheduled a

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hearing Monday to investigate the points raised by Mr. Gingery's suicide note.

In yesterday's action, American Airlines and eight of its present or former officers were accused of falsifying reports to the C.A.B. to conceal a cash political campaign fund totaling "at least \$275,000" that was allegedly distributed to scores of Federal and state candidates.

While American was accused of violating C.A.B. regulations requiring the submission of accurate records and reports, Braniff and seven of its executives were accused of technically more serious offenses—issuing "at least 3,626" unreported flight tickets, collecting money for them, and diverting "off-the-books" income, \$641,285 to \$926,955, into a secret, unaccounted fund for the use of Braniff management at least in part for unlawful purposes."

Two Officers Cited

It alleged in particular that Harding L. Lawrence, Braniff's board chairman, and C. Edward Acker, president, had had access to the fund.

The enforcement bureau urged that if the five Presidentially appointed members of the C.A.B. determine that the allegations are true, the board should "initiate a proceeding to determine whether the present Braniff management remains fit, willing and able" to continue the direction of the airline.

And, the investigative agency continued, the board should also determine whether Braniff's authority to operate ought to be "altered, amended,

modified or suspended," and whether other airlines should be allowed to seek Braniff's Government-delegated flying authority.

A Panama Link

Beside Mr. Lawrence and Mr. Acker, the Braniff executives accused of participating in or having knowledge of the ticket scheme were Robert H. Burck, executive vice president for public affairs; John Casey, vice president for sales and operations; Charles S. South, vice president; Latin American division, and Camile Fabrega, regional vice president for Panama, where, the investigators contended, part of the clandestine revenues were funneled through a corporation to evade detection. The late Andrew Phalen, Braniff treasurer, was also accused of involvement in the scheme.

Under Federal law, the C.A.B. cannot impose criminal penalties or fines for violations of the affected regulations, although the Justice Department has jurisdiction to do so. It could not be learned yesterday whether such prosecution was planned, or whether the Internal Revenue Service was contemplating prosecution for any possible tax fraud involved in the alleged misreporting.

The C.A.B. document regarding Braniff left unanswered how most of the alleged fund was spent. The only specific political contribution cited was Braniff's previously disclosed \$40,000 gift to Mr. Nixon's campaign fund. That was uncovered during the Watergate investigation.

A spokesman for Braniff said last night that the lone would "immediately move to answer

all of the allegations, and is confident the matter can be quickly resolved."

The major executives accused of establishing a secret political fund at American Airlines—the bureau claimed it began in 1964—were the following:

George A. Spater, former chairman; Donald Lloyd-Jones, executive vice president; R. M. Bressler, former senior vice president-finance; Cyrus S. Collins, vice president-public affairs; J. P. Bass, vice president; W. G. Woodward, vice president; Thomas P. Smith, assistant treasurer, and Douglas Stockdale, vice president and general manager of American Airlines de Mexico, a company subsidiary, through which part of the money was allegedly funneled.

Only Nixon Named

The C.A.B.'s bureau of enforcement accused American of generating "at least \$275,000" in the fund and of disbursing large amounts of this cash, including \$105,975 paid out as political contributions between January, 1971, and March, 1973.

The money was collected, it was alleged, in a number of ways, ranging from fraudulent expense-account and payroll claims to a fraudulent charge for a \$100,000 commission supposedly paid to a Lebanese dealer in used jet airliners.

A previously reported \$55,000 donation to Mr. Nixon's campaign fund came from the secret cash fund, the bureau alleged, but it said many other candidates also benefited—including 79 candidates for Federal and State offices in 1972 alone—although it named none except Mr. Nixon.