

# Emerging stronger

Lessons from leaders past offer insight into today's business challenges

By Mike Lombardi

**N**early every day, stories in the media describe the challenges facing the aviation business in these times of economic turmoil. Yet throughout history, the industry and The Boeing Company in particular have withstood such crises to emerge stronger than ever.

One example is the downturn from the late 1960s through the 1970s, which saw mergers and cutbacks across the aerospace industry. By drawing on the vision, innovation and pioneering spirit that the company was built on, Boeing came through that crisis stronger—and with two new commercial airplanes: the 757 and 767.

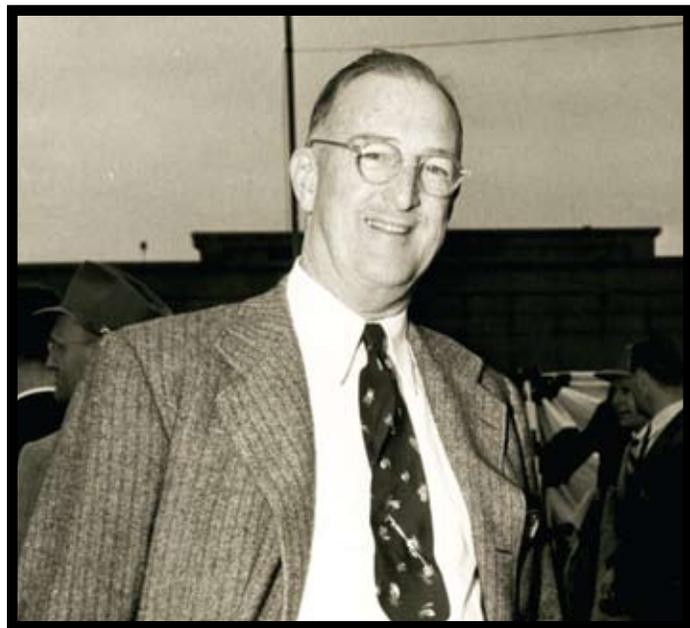
Though the 1970s were difficult, they didn't match the turmoil of the Great Depression, which began in 1929 and continued to World War II.

As the Depression hit, William Boeing's vision of the airplane for business and commerce was being realized. Boeing had built an aviation infrastructure that tied together airplane and engine manufacturers with airfields and airlines to create an efficient, profitable system of airmail and passenger travel that spanned the United States.

That infrastructure was a product of the United Aircraft and Transport Corp. (UATC), which Boeing formed in 1929 with his friend Fred Renschler, then head of Pratt & Whitney. As an aviation holding company, UATC brought together airplane manufacturers Boeing Aircraft, Hamilton Metalplane, Sikorsky, Chance Vought, Northrop and Stearman; engine-maker Pratt & Whitney; propeller manufacturer Standard Steel; and airlines Boeing Air Transport, Pacific Air Transport, Stout Airlines, National Air Transport and Varney Airlines.

Not only was UATC successful during the Depression, but the aviation industry continued to grow. That attracted the attention of U.S. President Franklin D. Roosevelt's administration as it swept into office in 1933. U.S. Sen. Hugo Black, D-Ala., launched an investigation of the industry, alleging the major aviation holding companies had colluded with the former postmaster general over the distribution of airmail routes to their airlines. This meeting on route awards was dubbed the "Spoils Conference."

Many industry notables were compelled to testify before the commission, including William Boeing, who was grilled



by Sen. Black for nearly six hours.

In February 1934, based on the commission's initial findings, Roosevelt ordered the cancellation of all airmail contracts and authorized the U.S. War Department to assist the postmaster general in delivering mail by air until a new Air Mail Act was finalized.

Taking airmail away from the airlines and relegating it to the Air Corps proved disastrous. Only half the routes were covered, and worse, in those five months there were 66 accidents, with 12 fatalities.

This ended in June 1934 with the Air Mail Act. The legislation dissolved the holding companies and forbade any executives who had participated in the Spoils Conference from holding airmail contracts.

William Boeing had anticipated the decision and already had initiated the breakup of UATC, rather than wait for the government to intervene. The breakup saw the creation of three major companies: The airline business continues today as United Airlines and Pratt & Whitney, Chance Vought, Sikorsky



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**PHOTO:** One of the famous airports built by William Boeing’s United Aircraft and Transport Corp. was the Burbank Airport in Burbank, Calif. It is shown here in November 1934 surrounded by Boeing Model 247s operated by United Air Lines. **BOEING ARCHIVES**



and Hamilton Standard became United Aircraft Corp., now known as United Technologies Corp.

Stearman Aircraft joined with Boeing Aircraft and Boeing Aircraft of Canada under a new entity, the Boeing Airplane Company—which continues today as The Boeing Company.

For William Boeing, this ordeal outraged his sense of justice and personal honor. For years he had lost money growing his business from a boathouse to a national corporation, and just when he had found success, he became a “suspect.”

In September 1934, Boeing decided it was time to resign as chairman of UATC, sell all his stock and retire from the industry he had pioneered. Before he did, though, he wanted to ensure that The Boeing Company was prepared for the future and handed over company leadership to one of his hand-picked engineers, Claire Egtvedt.

Egtvedt went on to define Boeing’s future as he pursued its new strategy—building the “big Boeings.” In June 1934, Boeing engineer Ed Wells had begun preliminary design on the

Model 299, later known as the B-17 Flying Fortress. The Flying Fortress became an icon of American air power during World War II and with it Boeing became a household name. In the 75 years since, Boeing has been the premier builder of large airplanes, a legacy that continues today with the 747-8 and 787 Dreamliner.

In 1941, the U.S. Court of Claims ruled that there had been no fraud or collusion in the awarding of airmail contracts. Boeing and the other pioneers of commercial aviation were vindicated of any wrongdoing. ■

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**PHOTOS: (LEFT)** William Boeing. **(ABOVE)** The company’s strategy to build “big Boeings” following the breakup of United Aircraft and Transport Corp. resulted in planes like the B-17 Flying Fortress, which made Boeing a household name. **BOEING ARCHIVES**