

A BULLETIN

from L. B. MANNING, *President*

to the stockholders of

THE AVIATION CORPORATION

The Air Mail

Your Company's Position

Reasons for Our Decisions

Your Company's Present
System

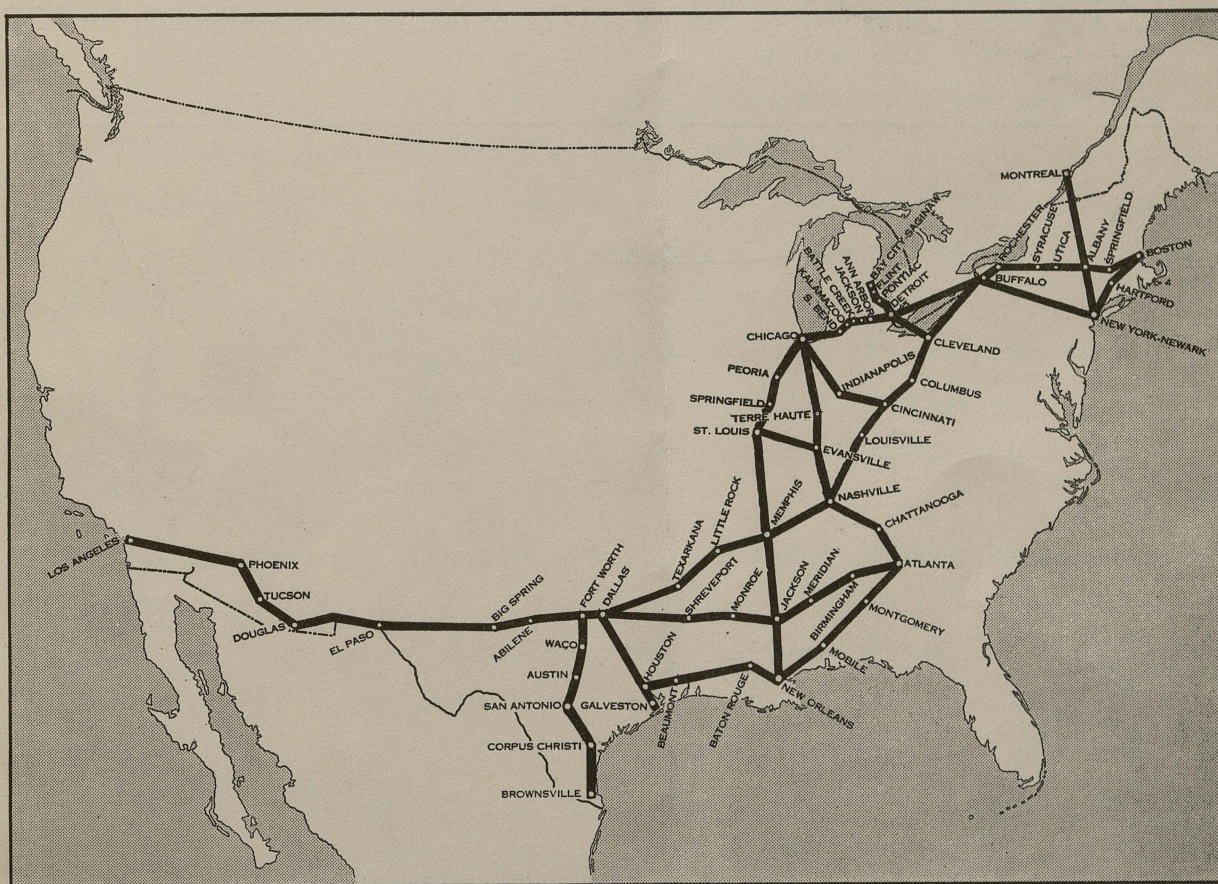
AMERICAN AIRLINES, INC.
DEPARTMENT OF ECONOMIC RESEARCH

Perhaps no subject has caused so much discussion by people everywhere in this country as the cancellation of the air mail contracts on February 9th, 1934.

Everyone, everywhere, seems to have been in a quandary as to what happened and why.

You stockholders in The Aviation Corporation (American Airways, Inc.,—American Airlines, Inc.,—its successor) have been concerned, and rightfully so. Many of you have asked us for expressions about the trouble and what hopes there are, if any, for the future. We have refrained from making statements until such time as we felt we could see our way clear. It is our intention to confine this bulletin strictly to the business phases of the problem, and not to argue the right or the wrong of the air mail contract cancellation.

Prior to February 9th, the operating subsidiary of your company was American Airways, Inc. and below is a map showing the lines operated as of that date.



Your company's present management assumed office March 15th, 1933.

With the introduction of greatly improved service to the public, increased efficiency of operations, a much needed reduction in expenses, and the elimination of losses from

investments, we were able to report a profit of \$596,662.56 for the year 1933 as compared to a loss of \$7,685,098.41 for the year 1932.

On May 3, 1933, your company introduced the first really high speed service between New York and Chicago and still operates the most luxurious, high speed planes.

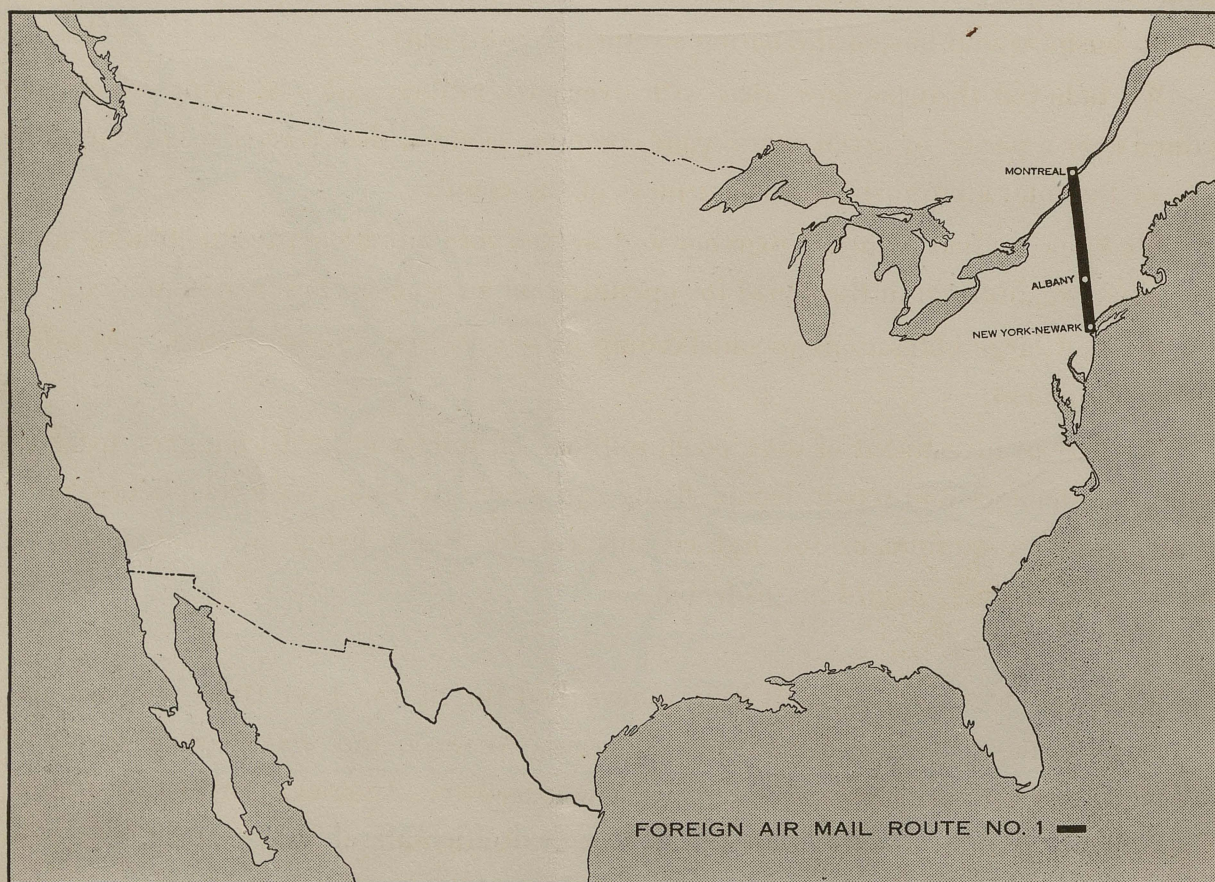
During the past year your company has maintained its schedules with a high degree of efficiency and has made an enviable record for safety.

Our policy is to provide not only the fastest and most comfortable, but also the safest flying equipment available anywhere in the world.

In planning for future requirements and in order to continue to lead with the highest speed equipment and the highest type service, we made commitments many months ago for nearly two million dollars of new equipment to be delivered as early as possible this year.

Then came the government's cancellation of the air mail contracts.

The map below shows your company's only route that remained—Foreign Air Mail Route No. 1.



The cancellation not only threw the entire air transportation industry into a state of complete chaos, but it was also a body blow to the equipment manufacturers. They

did not know whether we, or other transport operators, would be able to take delivery of equipment for which commitments had been made.

Right here your management was forced to make a most important decision; should your company liquidate or go ahead?

Liquidation meant going out of a business, in whose future we have great confidence.

Going ahead involved the possibility of operating at a substantial loss until such time as new mail contracts were let and franchise rights thereby established.

We decided to continue operating our lines until the air mail situation was straightened out, in order to keep faith with the public and to hold the good will that your air transportation lines had deservedly earned.

Your management knew that the American public, once having experienced really high-grade and fast air transportation, would never be satisfied with other slower methods. We knew that an ever-increasing number of people would patronize air transportation, because it cuts travel time two-thirds and provides a more comfortable mode of transportation. Also air mail and air express are a tremendous factor in speeding up business and hasten the nation's return to prosperity.

We believed then, as now, that with over fifty million miles of flying experience gained over a period of seven years, your company is entitled to receive a large proportion of the total air transportation business of the country.

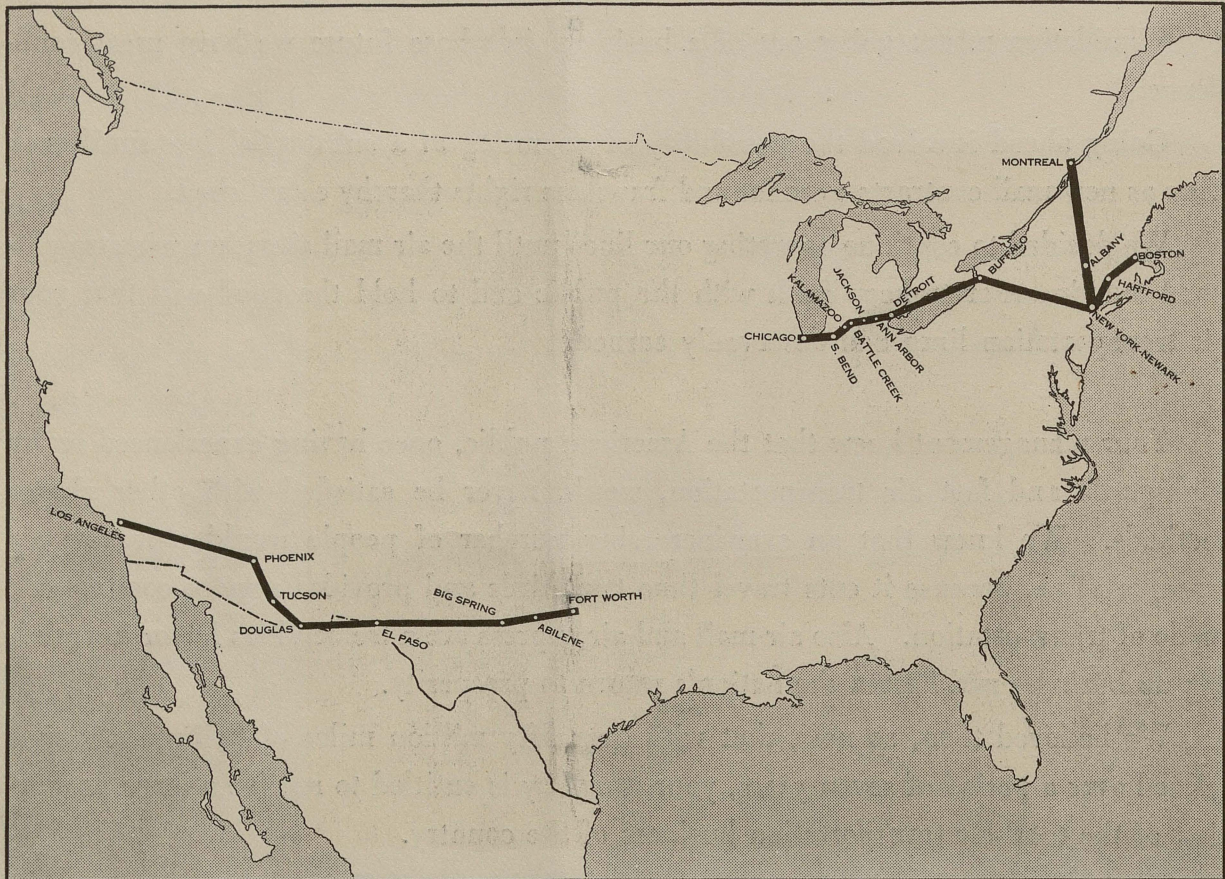
We knew we had gathered together and welded into an efficiently functioning unit, the finest organization in the world for operating an air transportation system.

We had large obligations in outstanding orders for the newest, fastest, and safest flying equipment.

We had an investment of over seven millions of dollars in fields, hangars, machine tools, maintenance and repair depots, flying equipment, two-way radio telephones, radio range beacons, equipment for lighted airways for night flying, weather reporting bureaus, etc., which should be protected.

When the first new air mail bids were called for by the Post Office Department your management, being advised that American Airways, Inc. was deemed ineligible to bid for new air mail contracts, caused a new subsidiary, American Airlines, Inc. to be organized, and it responded with prices less than one-half of those which had been paid two years ago. We bid prices that would enable your company to continue the highest type of service, as well as give you stockholders a "run for your money."

As a result of the first bidding we received air mail contracts on lines between New York and Chicago, and New York and Boston, and between Ft. Worth and Los Angeles.



As the map above shows, these two widely separated lines had to be linked together into a direct transcontinental route with strategically placed feeder lines.

In the meantime we continued operating other lines without air mail contracts between the following points:

Boston, Springfield, Albany, Syracuse, Rochester, Buffalo, Cleveland, Columbus, Cincinnati, Louisville, Nashville, Memphis, Little Rock, Dallas, Ft. Worth.

Chicago, Indianapolis, Cincinnati, Charleston, (W. Va.), Washington.

Chicago, St. Louis, Memphis, Jackson, New Orleans.

Chicago, Terre Haute, Evansville, Nashville, Chattanooga, Atlanta.

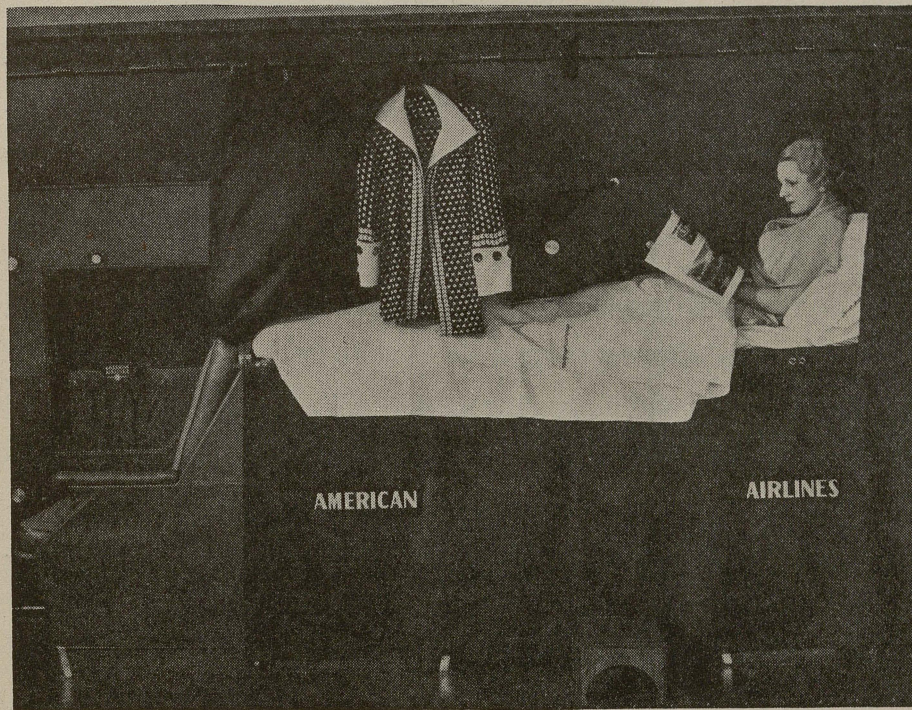
Detroit, Cleveland.

Atlanta, Montgomery, Mobile, New Orleans, Baton Rouge, Beaumont, Houston.

Dallas, Ft. Worth, Houston, Galveston.

Dallas, Ft. Worth, Waco, Austin, San Antonio, Corpus Christi, Brownsville.

In spite of all the uncertainties, your management's confidence remained unshaken. At no time has your company's policy changed in respect to its program for continued improvement and development of its service. As evidence of this we introduced on May 5th, the most advanced step in modern air-transportation: namely, complete *Sleeper Plane* service between Los Angeles, Ft. Worth and Dallas; the first of its kind in the world.



Each section converts into an upper and lower berth, one inch longer than those of the standard sleeping car, so that tall people, too, can stretch out at full length for complete rest. Every berth is equipped with reading lights; individual heating and cooling vents; clothes net and hanger, and wide luggage rack. Whether you sit up or recline, berths are very restful.

For day-time the roomy club chairs are considerably wider than the standard airplane seat, and almost unlimited leg room permits complete relaxation. Each passenger is provided with an individual window, reading light, service call button, individually controlled warm and cool air vent, ash tray and magazine pocket.



The opening of additional bids on May 25th disclosed the fact that your company may again operate an advantageously routed transcontinental air transport system.

Although the mileage we expect to receive under the bids opened May 25th is at lower rates than the contracts received on April 19th, the entire system average will be approximately twenty-five cents per mile under the temporary contracts effective for the balance of this year.

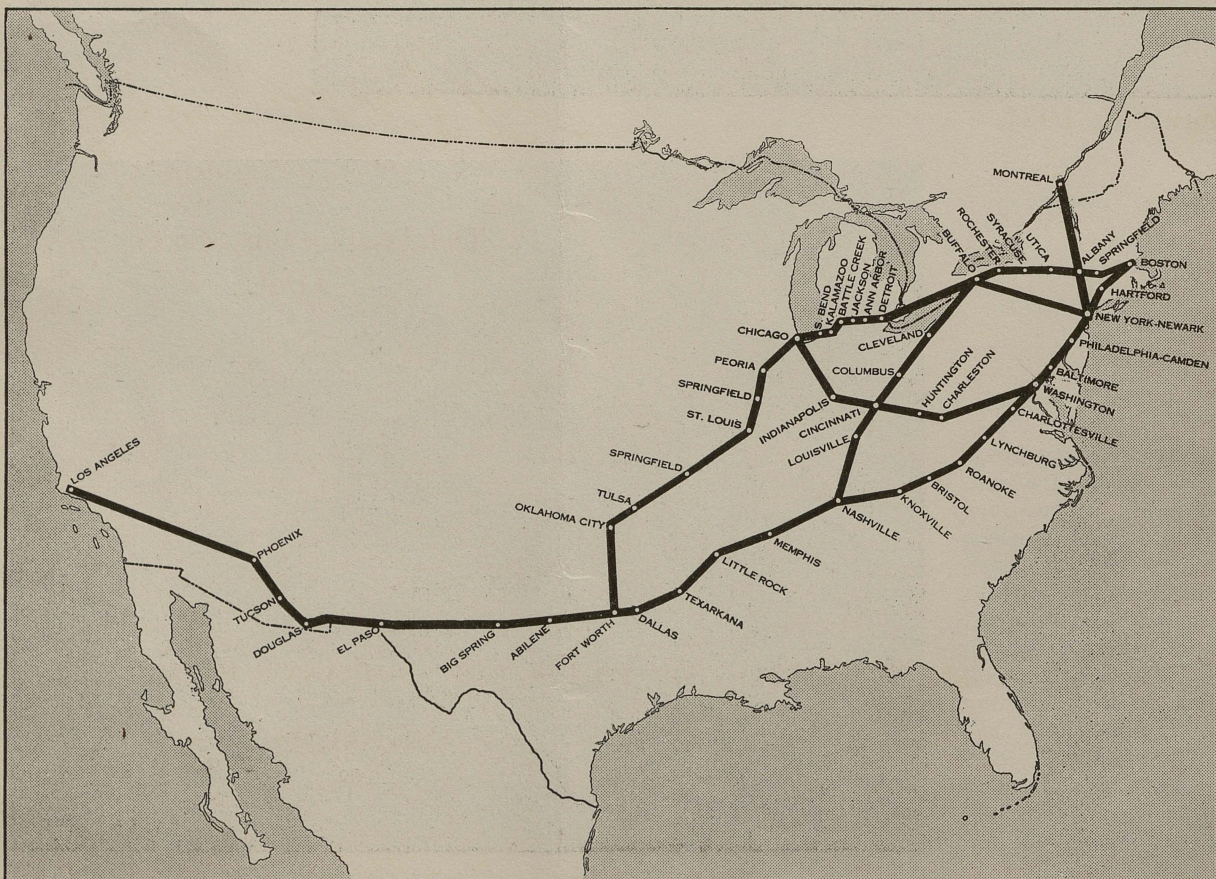
Certain of our bids were extremely low. In order to clarify this matter, none of these bids have any relationship whatever to what we consider a fair price for the work done, nor to the cost of operation of a service that the public expects and is entitled to.

They were made for the purpose of retaining franchise rights on routes which we had operated for many years, and to protect our large investment in ground facilities along these routes.

When it came to new routes, not previously operated for air mail, we considered the unifying of our system of primary importance.

American Airlines now serves the population centers that offer the greatest potential traffic. Its new system now connects directly the largest and most important trade centers and exclusively provides the most favorable Coast-to-Coast flying route.

As the map below shows, American Airlines will directly connect 55 cities, serving



Subject to award of contracts to lowest bidder, American Airlines will operate the above system.

21 states and one Canadian province, with over 88,000,000 population. Our scheduled daily flights will be 21,088 miles of which 13,888 will be air mail revenue miles.

Air mail legislation is now pending which provides for an especially appointed commission to make a study and report on the entire domestic air mail situation, and make recommendations which will be the basis for permanent air mail legislation.

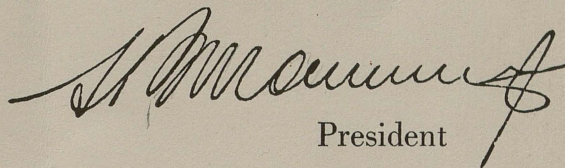
It is confidently expected that out of this investigation will come certain definite benefits in the form of franchise rights to operators now holding air mail contracts, together with a sound and equitable rate structure.

These contracts are temporary, for a three months period. The Government may make two additional extensions of three months each at its option.

We feel that you are entitled to know that your company's present management assumed office at least 2½ years, and in many instances more than 5 years, after the company's former air mail contracts were originally let. It is evident, therefore, that your present management had nothing whatsoever to do with, nor has it been accused of any participation in the acts leading up to the cancellations of the company's former air mail contracts.

Recognition of your company's ability efficiently to carry the air mail cannot be denied—and due to its improved system of lines, it now appears certain that American Airlines occupies a most important position in air transportation of this country.

May 29th, 1934.



President

The Aviation Corporation.
(Del.)

THE MANAGEMENT INVITES YOU TO USE THE COMPANY'S FACILITIES

TRAVEL AND SHIP BY AIR . . . USE AIR MAIL

THE AVIATION CORPORATION—CHICAGO, ILL.

