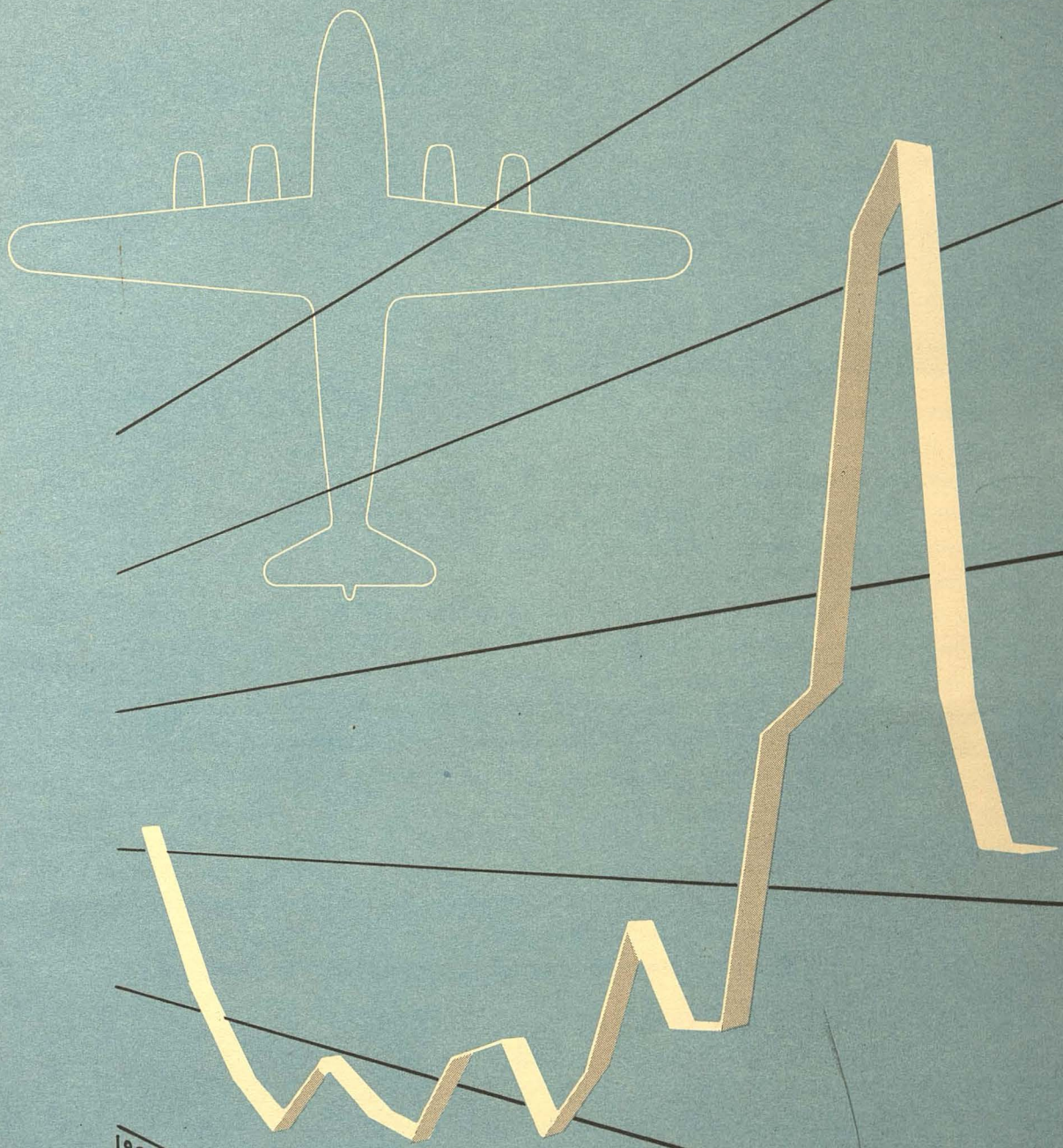
# AIRLINES




MERRILL LYNCH, PIERCE, FENNER & BEANE

1949

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# AIRLINES

## Air Traffic Breaks All Previous Records

THIS LOOKS like a good year for the airlines. During the first half of 1949, the airlines carried more passengers, more mail, more freight than ever before. And it cost them less to carry each passenger, each bag of mail, each ton of freight than it did last year. This year the air transportation industry should make a profit for the first time since the end of the war.

Why are the airlines doing so well? Coach service and special fares have certainly attracted many passengers who would otherwise have gone by train, bus or car. And the shift from scarcity to abundance has sent many a salesman scurrying around the country looking for orders as fast as he can—on a scheduled airline. Businessmen are sending more things by air as they discover the ways in which air express, air freight and air parcel post can save them money and open up new markets. But most airline executives agree that it is the scheduled airlines' improved record for safety and reliability that is bringing home the bacon. More people are traveling by air than ever before because they are confident that they will get where they want to go without accident and without delay.

Revenues are up, but higher revenues alone do not make profits. Revenues were much higher in 1946, 1947 and 1948 than they were in 1945 when the airlines made a near-record profit, yet the airlines lost money in those three post-war years. The airlines lost money then because their costs rose faster than their revenues. At the close of the war the airlines were optimistic; their top executives foresaw a great need for air travel. Foreseeing the need they borrowed money, bought planes, hired people, opened up new routes with the grand, confident gesture of men who were sure of the future.

Post-war airline traffic almost came up to their expectations. Almost, but not quite. And the difference between reality and their dreams made the difference between profit and loss. The wages and salaries of excess personnel, the higher cost of fuel and materials, the depreciation charges on the planes they bought, the interest charges on the money they borrowed, and the inescapable inefficiency that comes with rapid expansion ate up all they took in and then some.

But the airlines attacked this management problem with all the vigor and determination of men who have come a long way and won't be stopped. They fired unnecessary workers, adopted more efficient procedures, introduced business-like cost control methods. When the boom travel of 1949 came along they were ready to take advantage of it. For most airlines the post-war transition was nearly complete. New, more efficient planes were cutting costs, tremendously expensive crew training programs were over. On top of all this lower prices have come along and made it easier to hold costs down.

This looks like a good year for the airlines. Revenues are up. Expenses are under better con-

trol. Unit costs are down and total costs will be higher only because the airlines are doing more business. But what of future years?

To get any idea of how the airlines will do in the future, we'll have to examine not only where they get their money and where they have to spend it, but also the forces at work on these sources and drains. Last year the domestic airlines' income was divided as follows:

| | |
|---|---|
| Passenger Revenues | 81% |
| Express & Freight | 6% |
| Air Mail | 12% |
| Miscellaneous | 1% |

## PASSENGERS

As you can see, the airlines get the bulk of their money by carrying passengers. The easiest and, in the long run, the only way to increase the income from this source is to get more people to fly. Unfortunately, a great many people prefer to travel with their feet on the ground. Let's look at their reasons.

We all know some people who won't fly because they think it's dangerous. How safe does flying have to get before these people will trust themselves to the air? As safe as riding in a taxicab? **Traveling by scheduled airliner is safer than riding in an automobile.** Of course, more people have been killed while riding in automobiles than while flying in planes, because more people travel by car than by plane—there is a greater chance of their having an accident.

However, after taking into consideration the number of people traveling and the distance they traveled, flying by scheduled airline, in five out of seven years since Pearl Harbor, was safer than traveling by passenger automobile or taxicab.

We can't reasonably expect the airlines to be much safer than that.

And traveling by scheduled airlines is safer today than ever before. The pilots, the mechanics, the dispatchers—all are more experienced. The planes have been tested and tried. More airports are getting electronic devices that make landing almost fool-proof in all types of weather.

As people get used to flying we can expect objections based on fear to become less important.

Typical of another group that doesn't fly is the man who flew once and didn't get to his destination till long after the scheduled time. He tells listener after listener his sad tale of woe. Many who hear the tale decide they won't let the same thing happen to them. They don't stop and consider that his mishap was an isolated incident—that the airlines are reliable today. Last year the airlines cut in half the number of flights they had to cancel because of weather conditions and reduced the time passengers had to spend waiting for the weather to clear up by more than half (by 62 per cent). Other delays were shortened by similar margins. In 1948 the airlines completed more than 95 per cent of their scheduled flights.

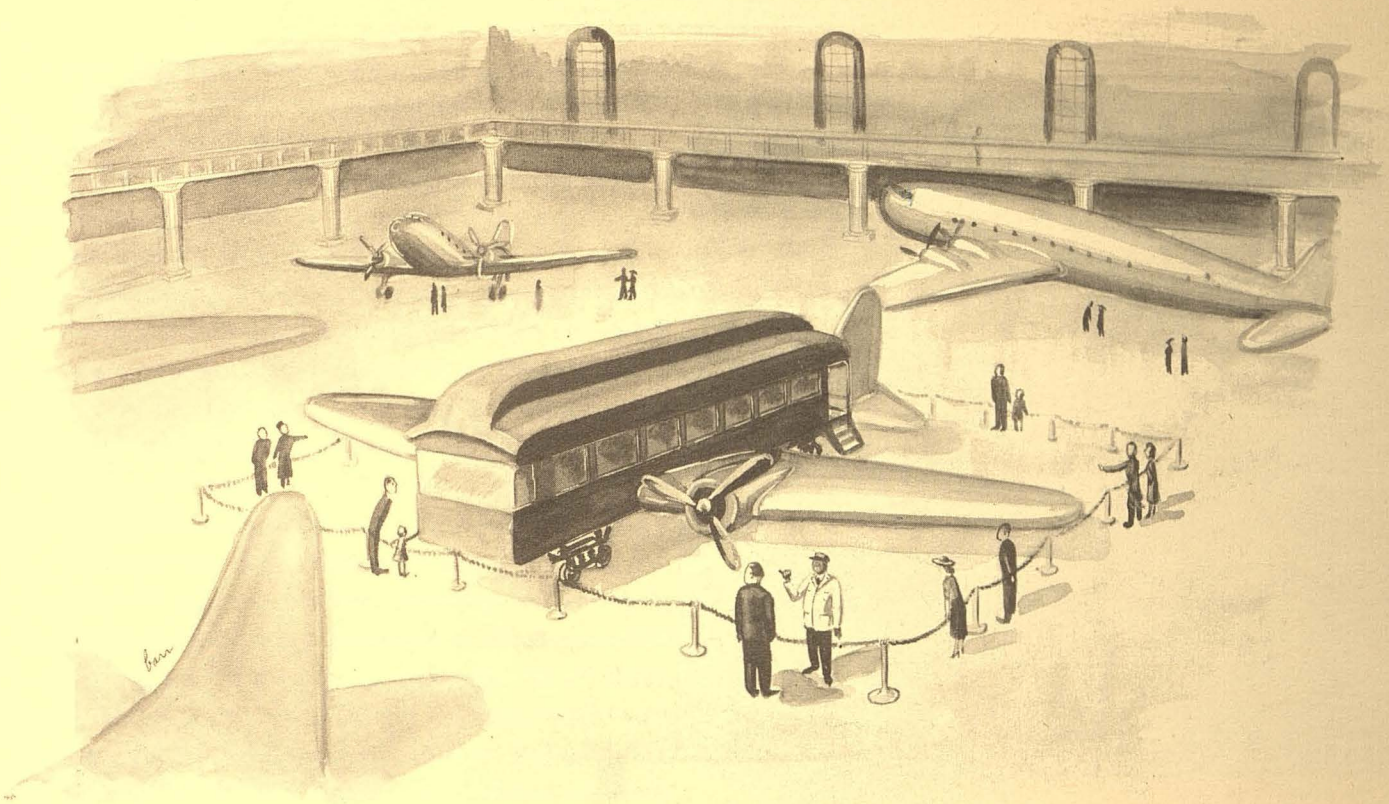
Delays and cancellations will continue to be reduced further as Instrument Landing Systems and precision radar equipment are installed in more cities. Already these devices have lowered the minimum ceiling in many cities to 200 feet.

Eventually an airliner will have a reserved time to land at its destination airport before it leaves

### Operating Revenues & Expenses

(Domestic Carriers)

| | Passenger | Mail | Express & Freight | All Other | Total Oper. Revs. | Total Oper. Exps. |
|---|---|---|---|---|---|---|
| | $1,000,000 | | | | | |
| 5 Mos. Ended: | | | | | | |
| May, 1949 | $148.5 | $18.9 | $10.7 | $2.5 | $181.4 | $177.9 |
| May, 1948 | 124.0 | 11.7 | 8.7 | 1.9 | 147.2 | 161.2 |
| Annual Totals | | | | | | |
| 1948 | 338.6 | 48.0 | 24.2 | 5.5 | 418.0 | 415.7 |
| 1947 | 308.6 | 29.4 | 19.4 | 7.4 | 364.8 | 386.2 |
| 1946 | 275.6 | 21.0 | 13.6 | 6.0 | 316.2 | 321.8 |
| 1945 | 166.5 | 33.7 | 10.8 | 3.7 | 214.7 | 180.6 |
| 1944 | 116.4 | 33.3 | 8.3 | 2.9 | 160.9 | 124.5 |
| 1943 | 87.5 | 24.2 | 8.4 | 3.0 | 123.1 | 95.5 |
| 1942 | 74.8 | 23.5 | 7.0 | 3.0 | 108.2 | 84.4 |
| 1941 | 69.8 | 22.7 | 2.9 | 1.9 | 97.3 | 89.9 |
| 1940 | 53.3 | 20.1 | 2.1 | 1.4 | 76.9 | 70.9 |
| 1939 | 34.8 | 18.5 | 1.6 | 1.0 | 55.9 | 51.4 |



*"Yessir, Boss, for people who insist upon going by Pullman."*

the ground. Traffic delays will be eliminated entirely—a must for jet aircraft.

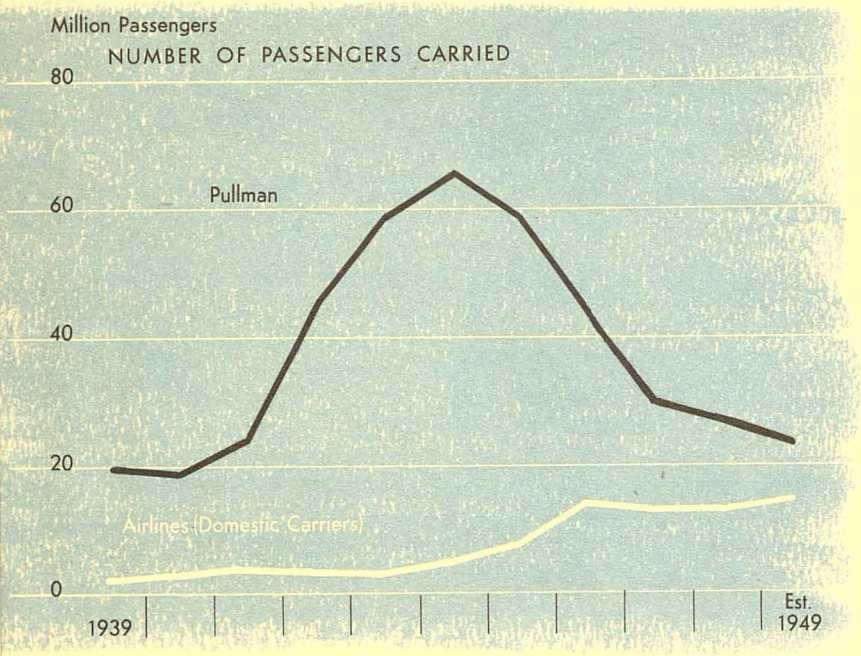
## FARES

Many people don't travel by air because it costs too much. Airline travel costs about the same as pullman travel, but, after all, the big mass of people travel in railroad coaches, by bus, or by automobile. The airlines already carry more than half the traffic that parlor and sleeping cars do, and airlines can be expected to increase their share of first class passengers. But they can only win over a sizable group of passengers from other means of transportation by lowering fares.

The airlines, however, can't lower their fares much without losing money. Most people-who-should-know agree that a small drop would not increase traffic much and that, at present-day costs, a large slash is out of the question.

Although the airlines can't economically cut over-all fares, they can—and some have—cut fares under certain conditions. Cut-rate family fares and air coach service increase the number of passengers without increasing costs much. The planes that fly during the early part of the week (when mother, son and daughter can fly for half fare) have to be flown anyway. Airlines are able to charge railroad coach fares for air coaches because the cost of flying air coach passengers is small compared with the cost of flying regular passengers. When you travel by air coach your only reservation is your ticket and you are served no meals, but it is not the lack of frills alone that enables air coaches to carry you so cheaply. Take Capital for example: Capital's chief executives realized that they had idle equipment and idle men on their hands between the hours of 12 midnight and 6 a. m. every morning. By scheduling flights that left Chicago and New York at 1 a. m. they produced considerable additional income for a small additional cost.

Coach service, if used as Capital Airlines uses




it, helps and will continue to help some airlines make money. But to show a profit air coach service must fulfill two conditions: 1) it must utilize otherwise idle facilities and 2) the air coaches themselves must be filled almost to the brim with passengers.

Coach service, however, attracts some passengers who would otherwise travel first class, with the possible result that both regular and coach service would operate at a loss. The C. A. B. made a survey of air coach travel during the months of April and May 1949. More than a third of the passengers said they would have made the trip by regular first-class plane if the air coach had not been available. For this reason, among others, some airlines (including American & United) oppose the offering of coach service.

So there is not much the airlines can do to cut further into the mass transportation market. They may be able to discover other ways in which special fares will enable them to carry passengers at lower cost, but the family-fare plan and air coaches already in use have skimmed the cream from this source of income.

## TIME MEANS MONEY

But what a precious commodity the airlines have for sale to those who can afford it and to those who can use it! To the salesman they offer a tremendously expanded territory, to the vacationer a longer stay on the beach or in the mountains, to the harried executive the closest thing to being in two places at the same time.

The company with a nation-wide market can get along with a smaller sales staff by using the airlines. The company that has one or two key men who can't be duplicated, can turn them into twins by having them travel by air. You can get from New York to Los Angeles in 11 hours by plane, while it will take you 2½ days to get there by train.

To sum up (and this is the basic argument for investing in a scheduled airline company):

The airlines are fast, safe, reliable and charge comparatively little for what they have to sell. But there are still a large number of potential customers who don't fly because they read about crashes, hear about delays, or don't realize the economic advantages of air travel. Converting these people to air travel is a slow process, but they will be converted, and, as they are, the airlines will continue to grow.

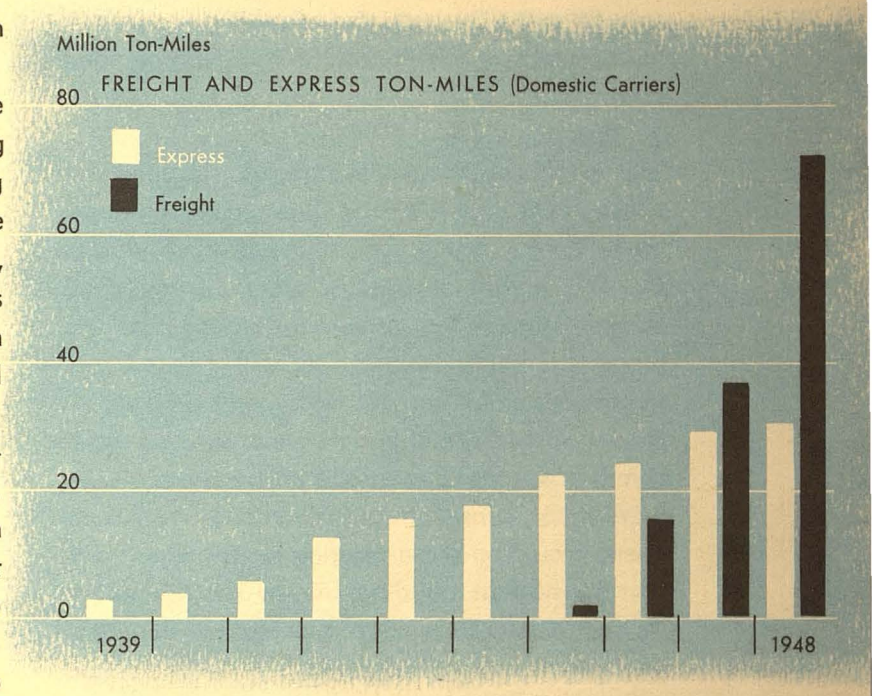
## FREIGHT & EXPRESS

The airlines get only a small part of their income from freight and express shipments today—6 per cent ($24 million) in 1948—but the future holds untold possibilities. Nobody knows how great the market for air cargo shipments is. A group of experts from the Civil Aeronautics Board and the Department of Commerce guesses that the potential market is about three times what the airlines are now carrying and that if air and express charges were cut by 25 per cent, this

potential market would jump to more than seven times today's air shipments.

Air freight makes it possible for nation-wide retailers to reduce inventories by substituting centralized warehouses for regional distributing centers. Anything that should be fresh can be economically shipped by air freight (lobsters, flowers, medical serums, candies). Air freight is an obvious choice when there is a premium on getting to the market first (fashions, newsreel film, newspapers).

Sounds fine. But, unfortunately, most scheduled airlines don't make money carrying cargo. They do make a profit on the cargo they carry in conjunction with passengers, but they just about break even on the freight they carry in all-cargo planes. They don't make money for several reasons, all traceable to the fact that the air cargo business is in its infancy. Each airline is doing all it can to get a big share of today's air cargo business because they all know that the airline that has the inside track today can move into




the lead tomorrow. The battle takes two forms: low rates and too much service. Many airlines, striving to give their customers the best possible service, use more planes than today's demand calls for.

Time will take care of these deficiencies. Today's rates are not too high for an expanded air cargo service, and today's cargo planes are all too few to carry tomorrow's cargo business. Personnel will become more experienced; more efficient freight-handling equipment will be used.


*"Why of course he's our Daddy!"*

## AIR MAIL

Carrying the mail supplies only a small part of the airlines' total income, but to many individual airlines air mail revenues have made the difference between bankruptcy and survival. Last year Eastern received less than 5 per cent of its income from this source; Continental, Northeast and Colonial, more than 25 per cent.

The difference does not lie in the amount of mail carried, it lies in the rate at which the airlines are paid. The government pays Eastern

only 68 cents for each ton of mail it carries one mile, but pays Continental $7.56 for the same service.

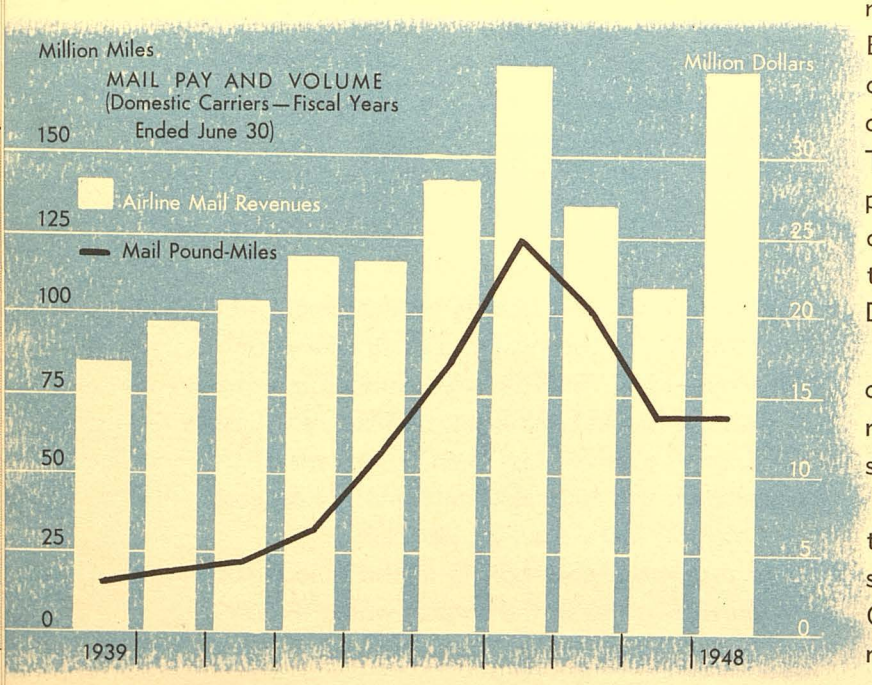
Why?

Continental needs government subsidies because of the routes it flies. The region Continental serves has fewer people who need or want to fly. The lengths of its hops are short and, other things being equal, the shorter the hop the higher the per-mile cost. The routes that Continental flies are not yet self-supporting, yet in the interest of national defense and as an aid to commerce, these routes should be flown.

Without subsidies the air transportation industry would be but a fraction of its present size. For the cost of building five or six submarines we get an essential war-time aid and an expanded peace-time tool.

Who should get how much air mail pay is a matter of constant dispute. Airlines are constantly appealing to the Civil Aeronautics Board for more money, and frequently the Board agrees with them and grants retroactive mail pay.

Last year the Board said it was putting Eastern,




*"I think you'll find there's no overweight charge."*

American, United, T.W.A. and Northwest on a payment-for-services-rendered basis. All protested. United, T.W.A. and Northwest opposed being put on their own; Eastern and American contended that the proposed rate was not sufficient to cover the services rendered. The Board upheld Northwest's claim—Northwest continues to be subsidized—and granted retroactive increases to American, T.W.A. and United. The Board did not back down on its theory, it paid the increases on a temporary basis pending a detailed factual study. It also compensated the airlines for the temporary grounding of DC-6's and Constellations.

The big stumbling block in discussions about air mail pay is that nobody knows exactly how much is subsidy and how much is payment-for-services-rendered.

If Senator Edwin C. Johnson and others have their way, subsidies will soon be awarded more scientifically than they are at present. The Post Office Department would pay for carrying the mail on a service-rendered basis, and the Civil

Aeronautics Board would award subsidies. Eastern and American have nothing to fear from this arrangement; United and T.W.A. have little to lose, but the others would be under a glaring spotlight, their subsidies always subject to reduction if they did not run their companies efficiently and economically.

## COSTS

The trend of airline revenues looks promising, but that's only half the story. How much the airlines will earn also depends upon how much they must spend in order to produce their income.

Last year the airlines distributed the money they paid out roughly as follows:

| | |
|---|---|
| Salaries & Wages | 45% |
| Gasoline & Oil | 8% |
| Depreciation | 9% |
| Repairs & Materials | 6% |
| Advertising & Publicity | 2½% |
| Interest & Preferred Dividends | 1½% |
| Remainder (Taxes, Rent, etc.) | 28% |

Last year the airlines laid off some employees but the wage increases they had to pay the rest boosted payrolls. This year's increased business makes further reductions in personnel difficult. The airlines should have to pay out in salaries and wages about the same amount this year as they did last, perhaps a little more if the present air-travel boom forces them to hire more people.

The cost of gasoline and oil jumped last year, but this year the price of gasoline has held steady and the price of lubricating oils has dropped. Although the price of gasoline should be the same or lower, total fuel costs may be higher this year because more planes will fly. But the cost of fuel per passenger and per mile should be lower for two reasons: (1) DC-6's, Constellations, Convairs and Martin 2-0-2's use less fuel per seat; (2) More seats should have passengers in them than last year.

Depreciation charges for the airlines as a whole will be slightly higher this year than last, but for some airlines, American for example, depreciation charges will be lower. But, in future years as the airlines need less new equipment, depreciation charges should first steady and then decline a little.

Debt will be higher this year for some companies and lower for others. Those airlines whose debt agreements oblige them to make payments on the principal will do so. Some airlines will go further into debt because they must have more

## DISTRIBUTION OF DOMESTIC OPERATING EXPENSES*

(15 Airlines)

| | Thousand Dollars | | | | | | Per Cent of Total | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 |
| Aircraft Operating Expenses: | | | | | | | | | | | | |
| Total Flying Oper. Exp. | $103,536 | $ 85,932 | $ 69,340 | $ 43,421 | $ 28,238 | $20,739 | 25.3% | 23.0% | 21.9% | 24.0% | 22.7% | 21.7% |
| Flight Equip. Maint.-Direct | 45,911 | 41,029 | 32,490 | 16,393 | 11,893 | 9,132 | 11.2 | 11.0 | 10.2 | 9.1 | 9.6 | 9.5 |
| Depreciation—Flight Equip. | 39,495 | 36,240 | 25,192 | 9,409 | 5,019 | 4,742 | 9.7 | 9.7 | 7.9 | 5.2 | 4.0 | 5.0 |
| Total | $188,942 | $163,201 | $127,022 | $ 69,223 | $ 45,150 | $34,613 | 46.2% | 43.7% | 40.0% | 38.3% | 36.3% | 36.2% |
| Ground and Indirect Expenses: | | | | | | | | | | | | |
| Ground Operation Expense | $ 64,466 | $ 59,465 | $ 49,015 | $ 34,553 | $ 24,761 | $20,055 | 15.7% | 15.9% | 15.5% | 19.1% | 19.9% | 21.0% |
| Maintenance and Depreciation | 41,012 | 38,873 | 30,955 | 16,619 | 12,595 | 8,433 | 10.0 | 10.4 | 9.8 | 9.2 | 10.1 | 8.8 |
| Passenger Service | 28,994 | 28,669 | 26,795 | 15,460 | 9,767 | 6,888 | 7.1 | 7.7 | 8.4 | 8.6 | 7.8 | 7.2 |
| Traffic and Sales | 42,500 | 42,644 | 44,209 | 18,146 | 12,360 | 9,460 | 10.4 | 11.4 | 13.9 | 10.0 | 9.9 | 9.9 |
| Advertising and Publicity | 12,278 | 9,486 | 9,395 | 6,753 | 5,239 | 4,457 | 3.0 | 2.6 | 3.0 | 3.8 | 4.2 | 4.7 |
| General and Administrative | 30,993 | 31,052 | 29,730 | 19,872 | 14,650 | 11,656 | 7.6 | 8.3 | 9.4 | 11.0 | 11.8 | 12.2 |
| Total | $220,243 | $210,189 | $190,099 | $111,403 | $ 79,372 | $60,949 | 53.8% | 56.3% | 60.0% | 61.7% | 63.7% | 63.8% |
| Total Operating Expenses | $409,185 | $373,390 | $317,121 | $180,626 | $124,522 | $95,562 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

*—Compiled from reports to the Civil Aeronautics Board. Expenses of international operations have been excluded. Excludes American Overseas Airlines and Pan American Airways.

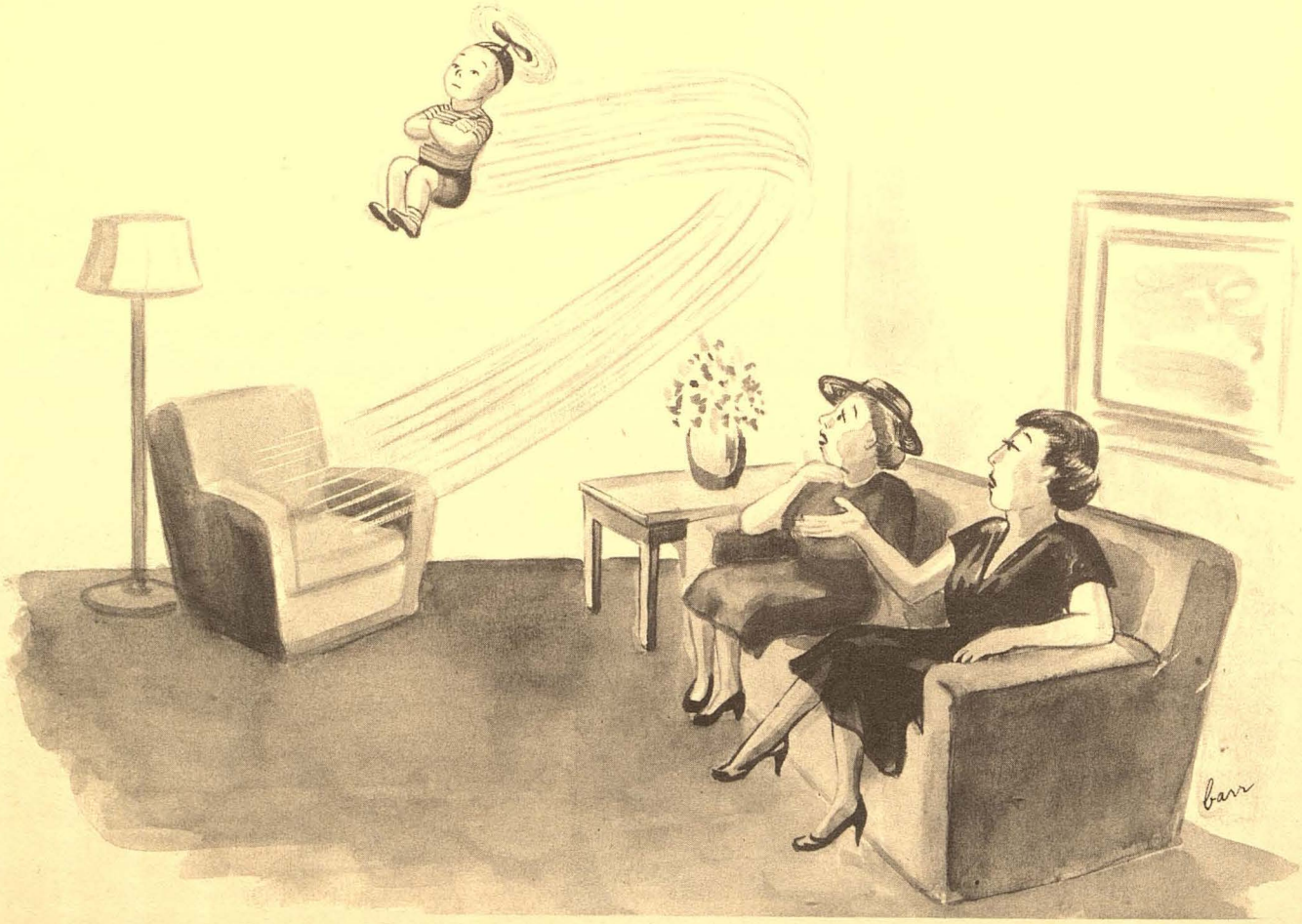
efficient equipment to enable them to operate profitably. Although interest charges, like depreciation, should start leveling off soon, it will be a long time before they decline an appreciable amount. The first thing the airlines are likely to do when they do get a bucketful of cash is to give a few drops to their thirsty investors.

Most other expenses will be down this year. Few new planes will be introduced, so training and testing costs will be lower. Many airlines will get a break from the tax collector: they will have carry-back credits from 1947 and 1948. And the administrative tightening-up the airlines have been doing should continue to shave clerical costs.

All in all total airline expenses should be only a little higher than last year. But costs per item and distance flown should be lower. Any sizable increase in total costs will be all to the good—a direct result of carrying more passengers, mail and freight. The increased revenues will more than overbalance the increase in costs.

## OPERATIONS ABROAD

So far we have not distinguished between domestic and international operations, but we should. Flying passengers, cargo and mail between countries has several complicating quirks. International agreements control plane routes and schedules. The dollar exchange and currency restrictions sometimes depress overseas travel.



*"American Airlines offered him $100,000, but he's holding out for a million."*

And revolutions and uprisings occasionally make traveling to other foreign countries unwise.

But the fundamentals of the business are the same. Safety and reliability count most when it comes to attracting passengers. (Reducing delays may not be quite so important as for the domestic airlines.) The cargo business is growing by leaps and bounds. Air mail payments are made on a subsidy basis by the Civil Aeronautics Board. And costs have leveled off.

The planes of U. S. airline companies fly to South America, to Europe, to the Orient, around the world. Today three fly the Atlantic (Pan-American, T.W.A., and American Overseas), but tomorrow there may be only two—if the C.A.B. consents, Pan-American will take over American Overseas.

## POSSIBLE THREATS

The outlook for the airlines, both domestic and international, is favorable, but that doesn't mean that a purchase of airline common stocks is a sure thing. A couple, or maybe only one bad accident to a scheduled airliner would drive some passengers—who knows how many?—back to surface transportation.

Today's slight recession may have given air travel a boost, but there's no doubt that a real depression would drag the airlines down with it.

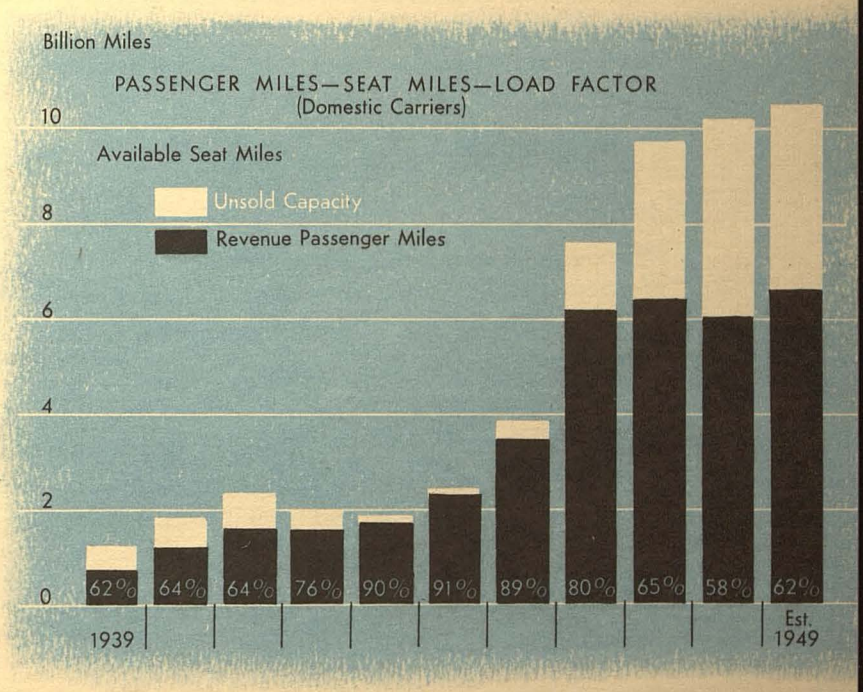
Congress may start getting tough about subsidies. As we go into a period of deficit financing, all expenditures of the government are subject to sharp attack, and those that favor a particular industry are particularly vulnerable.

If the growth of air coach service gets out of control the effect would be the same as a general lowering of rates—something the airlines cannot afford right now.

Competition from the non-scheduled airlines threatens the scheduled airlines' passenger and cargo business. (A scheduled airline flies routes awarded by the C. A. B. and its planes leave and arrive at regular intervals.)

The non-scheduled airlines (sometimes called contract or charter carriers) fly you across the country for as low as $88 while the scheduled airlines charge you $158. But the non-scheduled airlines don't have to fly the uneconomical short-hop routes the scheduled lines do, the non-scheduled lines don't have to fly regardless of the number of passengers who show up. The scheduled airlines retain weather observers, extensive ground facilities and large ground crews. One typical non-sked pays pilots $450 a month, United Airlines pays $800 a month. Even though the scheduled airlines hire only qualified pilots, they give their pilots further training before they take a scheduled airline passenger into the air. And the scheduled airline pilot continues to get training as long as he flies.

Scheduled airline executives are inclined to be bitter about the way the C. A. B. has allowed the non-scheduled airlines to grow. Says Ralph S. Damon, president of T.W.A., "In every regulated industry you relinquish a certain amount of your right to free enterprise; but, in exchange,



you should receive protection against unregulated encroachments. The certified airlines, having relinquished their freedom of action, have received in exchange no semblance of protection."

Recently the C. A. B. has half-recognized the validity of the scheduled airlines' objections. It looks as if the Board is warming up to revoking the licenses of those non-scheduled airlines that are in effect furnishing scheduled flights. On the other hand, the members of the Board seem to feel that carrying freight is a legitimate field of enterprise for the non-scheduled airlines. Recently they granted five-year certificates to four non-scheduled freight carriers.

But overbalancing these threats—accidents, depression, political action, non-scheduled competition—we have the insatiable desire of men and women for time—time to get more business done, time to enjoy life more fully.

Each of the threats we mentioned, if they come true, can only slow the airlines' growth, they cannot halt it. Accidents cause only a temporary slump in traffic. A depression may have a more lasting effect, depending upon its depth and length, but the airlines have double protection against a depression: their own long-term growth trend and the aid of the federal government. Come what may, the government cannot let the airlines go under. The investigations that are taking place will, in all probability, simply result in the government's spending its money more wisely.

Non-scheduled competition may take a growing share of the cargo business but there would seem to be enough cargo business for everyone. And in the more lucrative passenger field the scheduled airlines continue to take the lion's share.

## CHOOSING A COMPANY

So far we have analyzed the airline industry as a whole; we have made little distinction between companies. But you can't invest your money in an industry, you have to buy the stock of a specific airline. Here's what we think you should look for in choosing among them.

ROUTES: The routes awarded by the C. A. B. are an airline's basic asset. It is the routes an airline flies that make it different. One airline may have intense competition, while another has routes that it flies alone. Some airlines do all their flying within the borders of the United States — monetary exchange problems mean

## STATISTICAL SUMMARY—15 AIRLINES*

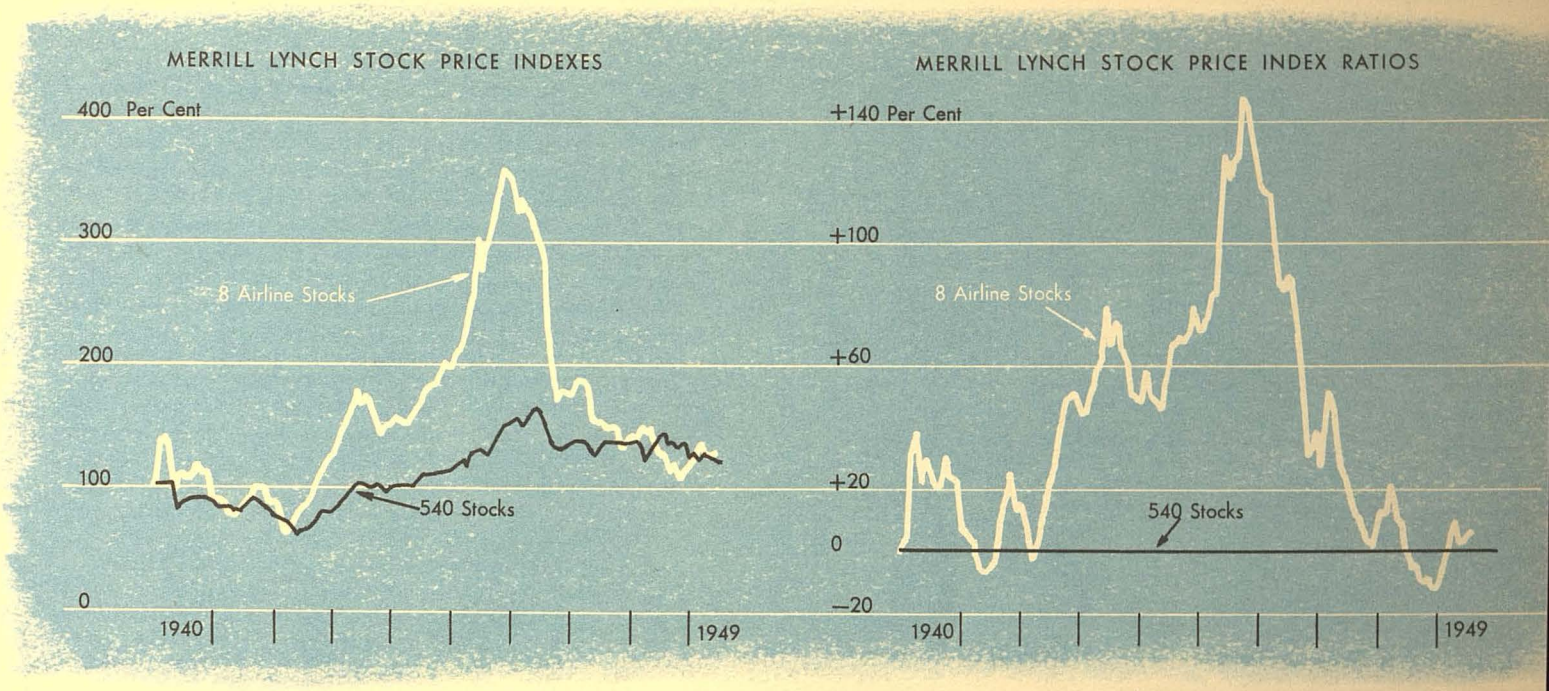
### Year End Balance Sheet Data

| | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 |
|---|---|---|---|---|---|---|
| | 000's Omitted | | | | | |
| Cash Items | $89,220 | $64,721 | $85,599 | $107,980 | $87,706 | $62,681 |
| Current Assets | 162,028 | 128,133 | 158,984 | 149,766 | 127,233 | 106,686 |
| Current Liabilities | 94,583 | 82,106 | 104,758 | 73,605 | 50,889 | 45,067 |
| Net Working Capital | $67,445 | $46,027 | $54,226 | $76,161 | $76,344 | $61,619 |
| Special Funds | $5,612 | $9,950 | $23,406 | $12,849 | $13,267 | $6,595 |
| Gross Prop. & Equip. | 437,443 | 350,027 | 220,882 | 107,220 | 64,341 | 52,490 |
| Deprec. Reserve | 145,670 | 107,733 | 69,845 | 47,950 | 36,815 | 30,739 |
| Net Prop. & Equip. | $291,773 | $242,294 | $151,037 | $59,270 | $27,526 | $21,751 |
| Long Term Debt | 165,056 | 143,100 | 91,713 | 21,994 | 187 | 600 |
| Preferred Stock | 60,833 | 59,227 | 40,000 | 8,556 | 11,071 | 6,575 |
| Com. Stk. & Surp. | 134,197 | 128,439 | 128,873 | 131,757 | 108,308 | 86,039 |
| Reserves | 1,993 | 4,022 | 4,810 | 3,653 | 5,885 | 4,036 |
| Total Assets/Liabs. | $467,870 | $421,997 | $374,996 | $243,413 | $181,029 | $149,537 |

### Selected Income Account Data

| | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 |
|---|---|---|---|---|---|---|
| | 000's Omitted | | | | | |
| Tot. Oper. Rev. | $476,291 | $399,126 | $327,305 | $207 437 | $156,880 | $122,224 |
| Depreciation | 43,872 | 46,998 | 28,395 | 10,984 | 6,417 | 5,917 |
| Tot. Oper. Exp. | 473,093 | 420,413 | 334,942 | 174,915 | 121,028 | 94,579 |
| Oper. Ratio | 99.3% | 105.3% | 102.3% | 84.3% | 77.1% | 77.4% |
| Pre-Tax Earns. | d1,190 | d26,265 | d10,612 | 33,370 | 36,140 | 29,003 |
| Pre-Tax Marg. Profit | d0.3% | d6.6% | d3.2% | 16.1% | 23.0% | 23.7% |
| Int. & Other Chges. | 5,231 | 4,133 | 1,917 | 190 | 60 | 106 |
| Fed. Inc. Taxes | 2,850 | 5,183† | 612 | 17,280 | 17,151 | 13,934 |
| Net Income | d4,030 | d22,489 | d11,779 | 16,070 | 17,489 | 12,226 |
| Preferred Divs. | 2,162 | 2,050 | 1,189 | 458 | 610 | 299 |
| Common Divs. | 97 | 699 | 2,560 | 3,575 | 2,912 | 2,101 |

*—Selected composite data (including international operations) of the companies listed on the following pages with the exception of American Overseas Airlines and Pan American Airways. †—Credit. d—Deficit.




nothing to them. The routes an airline flies govern the type of business it does: some depend more upon vacationers than do others.

EQUIPMENT: You can measure the degree of an airline's modernization by noting the extent to which it has converted its long-haul traffic to Constellations, DC-6's, and Boeing Stratocruisers and converted its shorter-haul traffic to Convair Liners and Martin 2-0-2's.

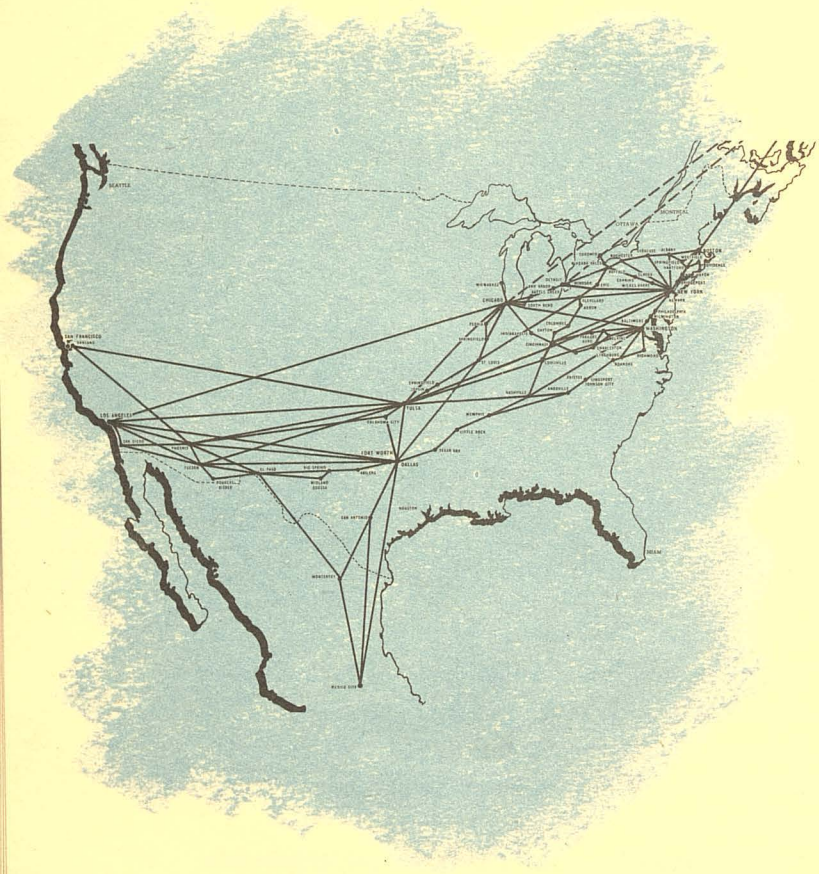
FINANCES: You can learn a lot about a company by looking at its financial condition. In choosing among companies you should focus on the relationship between debt and common stock, on the relationship between current assets and current liabilities, on the operating ratio, and on earnings per common share.

If a company that owes much and has a large preferred stock issue outstanding is to pay dividends on its common stock, it must, obviously earn more than a company with less interest and preferred dividend requirements. And the threats we mentioned earlier are more dangerous to the airline whose common stock is a small part of its capital structure. On the other hand the common stocks of companies with large debts and large preferred obligations generally rise relatively higher in good times than those of the more soundly financed companies. And go down faster in bad times.

The operating ratio (the relationship between total revenues and operating costs) is one measure of management. A figure below 100 per cent indicates that the company took in more money than it spent on operations. Operating costs do not include interest payments and income taxes.

PRICE: The price ranges shown in this book will show you how widely the stock has fluctuated in the past, but the price you are interested in is the one being quoted at the time you wish to buy or sell. A company may appear most favorable from every point of view but not be the best buy because the price of its stock is too high—its virtues have been "discounted" by the market. However, as of August 1949 few airline common stocks seem to fit this description. That is where your judgment, the judgment of your advisor, or your combined judgments count.

# AMERICAN AIRLINES



American Airlines, the nation's largest system, flew approximately 22% of the domestic industry's passenger miles in 1948. The company's extensive route pattern includes transcontinental services. In 1945, American acquired control of American Overseas Airlines, having a $13.2 million investment therein. The latter company and Pan American Airways have reached an agreement whereby PAA is to purchase AOA assets in exchange for stock. Consummation of the plan rests upon CAB and stockholder approval. If approved, it would benefit American's financial position.

To finance its tremendous post-war expansion program, American issued $40 million of debentures and $40 million of preferred stock in 1946. Total charges senior to the common amount to $2.6 million. Substantial improvement in finances is anticipated in 1949. Capital outlays for new property and flight equipment are largely completed. The trend of earnings is much more favorable and depreciation provisions, estimated at $10 million for 1949, constitute another major source of funds.

Operating revenues have greatly expanded over the years. Passenger traffic is by far the most important source of revenues (86% in 1948). For many years American had one of the industry's best earnings records. However, beginning in 1946 operating expenses outpaced the increase in revenues. Large losses were experienced in 1947 and 1948. A sharp reversal took place in the first half of 1949; revenues were up 29% over the like 1948 period and net income of over $3.5 million was reported. The company's completely re-equipped fleet of post-war aircraft (DC-6's and Convair Liners) has permitted greater operating efficiency and has placed American in a very strong competitive position.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 57.9 | 61.1 | 15.3 |
| Rev. Pass. Miles (Millions) | 1,353 | 1,438 | 141 |
| Available Seat Miles (Millions) | 2,242 | 2,067 | 254 |
| Rev. Pass. Carried (Thousands) | 2,817 | 2,784 | 358 |
| Avg. Pass. Trip (Miles) | 480 | 516 | 393 |
| Mail Ton-Miles (Thousands) | 8,210 | 7,013 | 1,587 |
| Exp.-Freight Ton Miles (Thousands) | 28,815 | 21,718 | 601 |

## Capitalization — December 31, 1948

| | |
|---|---|
| 3% S. F. Debentures, due 6-1-66 | $40,000,000 |
| 3½% Cum. Conv. Preferred Stock ($100 Par)[1] | 400,000 shs. |
| Common Stock ($1 Par) | 6,452,835 shs.[2] |
| Stock Options | 250,000[3] |

Preferred and Common Stocks listed on the New York Stock Exchange—Symbol AMR. 1—Callable at 104 through 6-1-51, lower thereafter. Convertible into common stock at $21 per share. 2—Employees' stock 500,000 shares ($1 Par) authorized but unissued. 3—Entitles holder to purchase one share of common for each option at $11.70 per share to 6-1-50.

| Years Ended Dec. 31 | Balance Sheet Data[1] | | | | | | | Income Account Data[1] | | | Per Common Share[4] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Total Revenues | Oper. Ratio | Net Income | Earns. | Divs. | Price Range High | Price Range Low |
| 1949[3] | — | — | — | — | — | — | — | $49,752 | 91.5% | $3,536 | $0.44 | Nil | 10⅜[5] | 6¾[5] |
| 1948[3] | — | — | — | — | — | — | — | 38,473 | 109.2 | d4,098 | d0.74 | Nil | — | — |
| 1948 | $15,552 | $29,327 | $18,635 | $101,775 | $70,239 | $80,000 | 60.4% | 89,286 | 102.1 | d2,894 | d0.67 | Nil | 10 | 6⅛ |
| 1947 | 16,293 | 33,782 | 19,605 | 93,197 | 69,330 | 80,000 | 69.6 | 81,731 | 105.5 | d2,963 | d0.68 | Nil | 11⅜ | 7 |
| 1946 | 39,849 | 55,340 | 20,261 | 61,038 | 44,865 | 80,000 | 81.6 | 68,083 | 101.0 | d376 | d0.16 | Nil | 19⅞ | 9 |
| 1945 | 19,411 | 30,420 | 16,536 | 20,489 | 9,690 | — | 89.9 | 47,416 | 82.8 | 4,339 | 0.67 | $0.20 | 18⅞ | 8½ |
| 1944 | 22,024 | 32,188 | 13,121 | 14,658 | 5,386 | 549 | 89.9 | 39,244 | 75.9 | 4,396[2] | 0.68[2] | 0.20 | 9⅛ | 5¾ |

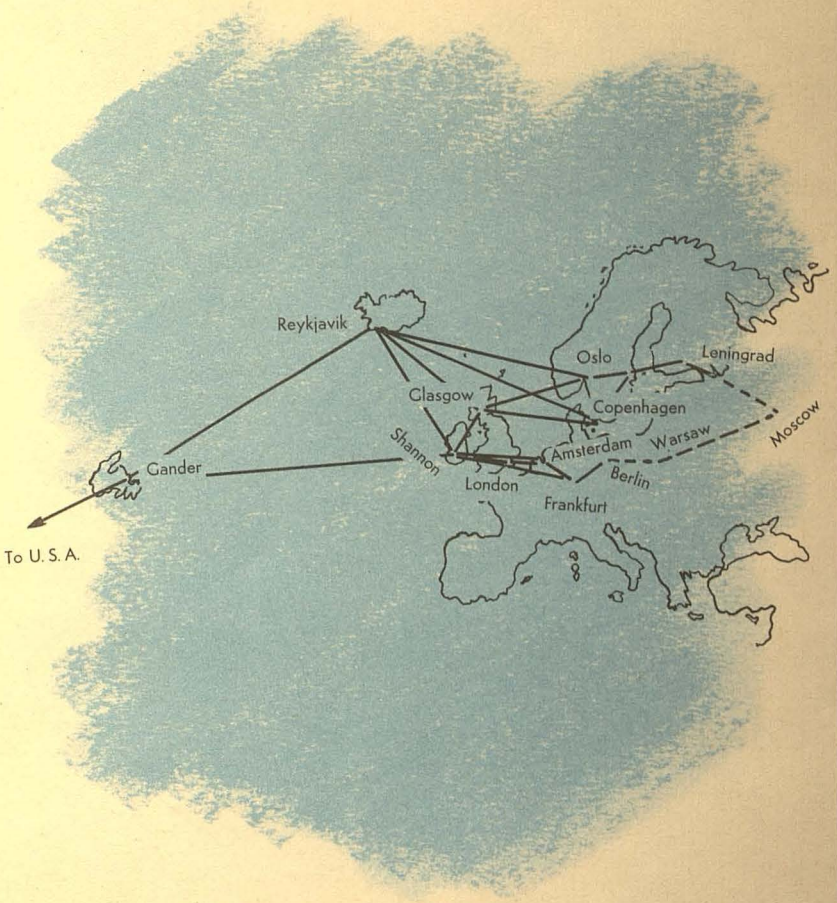
1—Thousands of dollars. 2—After reserves. 3—Six months ended June 30. 4—Adjusted for 2-for-1 stock split in 1944; 5-for-1 in 1946. 5—Through 7-29-49. d—Deficit.

# AMERICAN OVERSEAS AIRLINES

One of the three certificated U. S. air carriers flying to Europe, American Overseas had 6,355 route miles in operation at the 1948 year-end. Service is provided to ten foreign nations. From 1937-45, the company was a subsidiary of American Export Lines. In mid-1945, American Airlines acquired control and it now holds 62% of the common while American Export retains about a 20% interest. On December 13, 1948 a proposed merger with Pan American was announced; Pan American would turn over 1,193,844 shares of its common stock to AOA in exchange for the latter's routes and assets. The plan must be approved by the CAB and stockholders of both companies. Hearings have been proceeding in Washington and a decision should be reached by the end of the year.

With net working capital of $10.3 million at the 1948 year-end, finances appeared fairly satisfactory. In 1946, $12.6 million was realized from common stock financing and provided a substantial equity base for expansion plans. In 1948, a $12 million bank credit agreement was reduced to $10 million after a review of cash requirements. At the close of 1948 commitments for expenditures amounted to $13.3 million, principally for 8 new Stratocruisers; first one was delivered in June, 1949.

Commercial operations expanded sharply in post-war years. In 1946, a retroactive mail pay award permitted a small profit, but higher operating expenses and reduced load factors contributed to the large 1947 loss. Improved 1948 results reflected higher mail rates and passenger fares, Berlin airlift revenues and lower operating expenses. The improved trend continued in the first half of 1949. The proposed merger could affect consolidation of numerous operating and maintenance activities. Longer-term growth prospects are relatively favorable despite keen competition from other airlines and surface carriers.




## Traffic Statistics

| | 1948 | 1947 | 1945 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 8.0 | 7 | 0.95 |
| Rev. Pass. Miles (Millions) | 173 | 169 | 14 |
| Available Seat Miles (Millions) | 280 | 248 | 18 |
| Rev. Pass. Carried (Thousands) | 77 | 60 | 4 |
| Avg. Pass. Trip (Miles) | 2,282.5 | 2,820 | 3,494 |
| Mail Ton Miles (Thousands) | 1,959.3 | 1,807 | 611 |
| Exp.-Freight Ton Miles (Thousands) | 2,714.3 | 1,927 | 85 |

## Capitalization — December 31, 1948

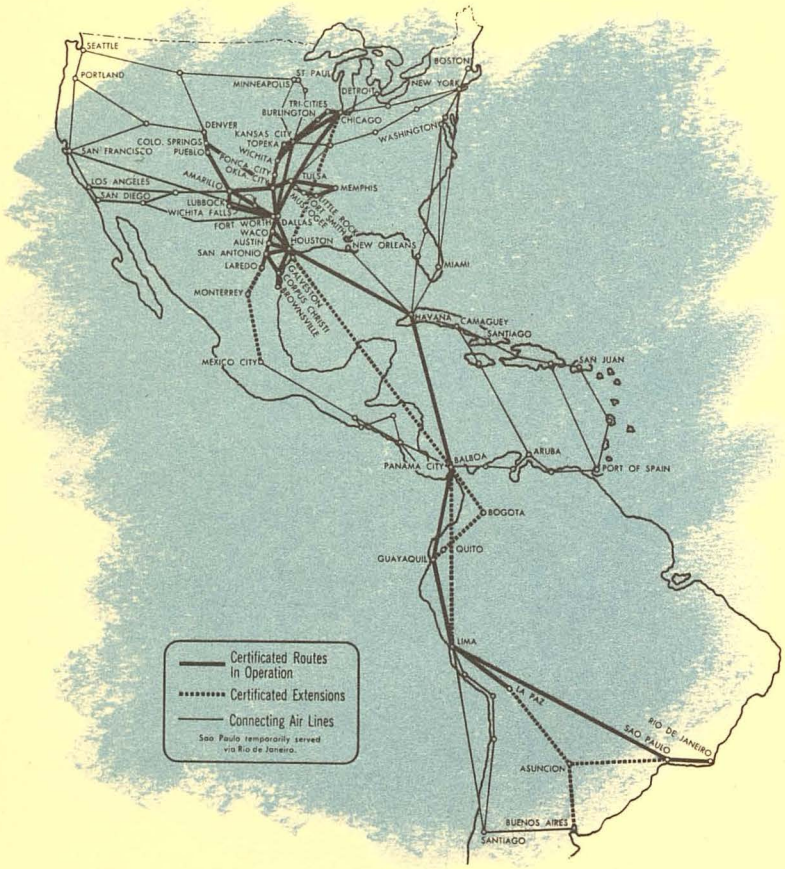
| | |
|---|---|
| 3% Notes Payable to Banks | $3,000,000 |
| 3¾% Subordinated Notes Payable | $2,000,000 |
| Capital Stock ($1 Par) | 1,749,825 Shs. |

Capital Stock traded Off-Board.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range[2] High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949 | — | — | — | — | — | — | — | — | — | — | — | Nil | 6¾[3] | 4¾[3] |
| 1948 | — | — | — | — | — | — | — | — | — | — | — | Nil | — | — |
| 1948 | $8,573 | $12,908 | $2,607 | $16,760 | $12,522 | $5,000 | 61.7% | $23,537 | 92.0% | $ 991 | $0.57 | Nil | 7 | 4⅜ |
| 1947 | 6,091 | 12,861 | 3,961 | 14,955 | 11,813 | 5,000 | 67.9 | 20,196 | 108.5 | d1,773 | d1.01 | Nil | 8¾ | 4¾ |
| 1946 | 6,738 | 15,402 | 9,349 | 10,521 | 9,183 | — | 79.6 | 15,920 | 95.1 | 411 | 0.23 | Nil | 26¼ | 8 |
| 1945 | 1,435 | 4,251 | 3,092 | 1,716 | 1,365 | — | 78.3 | 3,994 | 99.3 | d209 | d0.30 | Nil | 30½ | 8⅞ |
| 1944 | N.A. | 1,032 | 529 | N.A. | 70 | N.A. | N.A. | 350 | 75.5 | 16 | 0.07 | Nil | 12 | 8⅝ |

1—Thousands of dollars. 2—Approximate Off-Board range; accurate pricedata not available. 3—Through 7-29-49. N.A.—Not available. d—Deficit.

# BRANIFF AIRWAYS




Braniff operates both domestically and internationally. Domestic routes form a North-South network from Chicago to the Texas-Mexican border and also include operations from Denver east to Memphis. Connections with other airlines provide substantial interline traffic. Important route applications are pending to extend the company's services to the West Coast and from Havana to Washington and New York. International routes were inaugurated in the middle of 1948 and have since been expanded to cover 11 Latin American countries. The company's plane fleet is comprised of 6 DC-6's, 9 DC-4's and 15 DC-3's.

Gross property increased approximately $10.5 million over 1944-48 primarily as the result of acquisition of new flight equipment. As the result of such expenditures the net working capital position showed a deficit at the end of 1946. Early in 1947, the company arranged a $10 million line of credit with banks of which $6 million has since been taken down. Finances were materially strengthened in the latter months of 1948 when the company received a large retroactive mail award of $1.6 million of additional mail pay for the period November 1946-March 1948. An increase in domestic mail rates was also received at this time. Dividends were paid from 1943-46, but further payments are not anticipated over the near future.

In recent years, the net increase in passenger fares has not been fully compensatory for sharply rising costs. Additionally, increased competition and larger plane fleets have contributed to lower passenger load factors. Gross revenues this year should show considerable expansion in view of new flights to Latin America. Operating losses of the first quarter of this year were overcome by earnings in the second period. International operations provide a greater base for growth over the long term.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 11.7 | 11.1 | 2.7 |
| Rev. Pass. Miles (Millions) | 201 | 200 | 14 |
| Available Seat Miles (Millions) | 387 | 324 | 26 |
| Rev. Pass. Carried (Thousands) | 570 | 600 | 39 |
| Avg. Pass. Trip (Miles) | 352 | 333 | 346 |
| Mail Ton Miles (Thousands) | 955 | 778 | 212 |
| Exp.-Freight Ton Miles (Thousands) | 2,112 | 1,303 | 60 |

## Capitalization — March 31, 1949

| | |
|---|---|
| Notes Payable to Banks | $3,930,909 |
| Capital Stock (Par $2.50) | 1,000,000 Shs. |

Capital Stock listed on the New York Stock Exchange—Symbol BNF.

| Years Ended Dec. 31 | Balance Sheet Data[1] | | | | | | | Income Account Data[1] | | | Per Common Share | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Total Revenues | Oper. Ratio | Net Income | Earns. | Divs. | Price Range High | Price Range Low |
| 1949[3] | $2,633 | $6,254 | $3,231 | $11,714 | $6,679 | $3,930 | — | $ 3,811 | 109.7% | $d229 | $d0.23 | Nil | 8⅝[4] | 6⅛[4] |
| 1948[3] | 1,425 | 4,025 | 1,895 | 11,714 | 7,658 | 5,455 | — | 2,718 | 109.8 | d267 | 0.27 | Nil | — | — |
| 1948 | 3,340 | 5,389 | 2,769 | 12,622 | 7,918 | 4,193 | 51.8% | 14,633 | 96.6 | 192 | 0.19 | Nil | 10¼ | 6¼ |
| 1947 | 2,222 | 3,495 | 1,828 | 12,453 | 8,634 | 5,455 | 61.6 | 12,233 | 100.4 | d516[2] | d0.52[2] | Nil | 13½ | 7 |
| 1946 | 416 | 1,805 | 2,738 | 8,311 | 5,938 | — | 77.1 | 10,506 | 101.7 | 34 | 0.03 | 0.45 | 34⅝ | 12 |
| 1945 | 5,576 | 6,565 | 1,549 | 3,245 | 1,675 | — | 89.7 | 7,919 | 87.4 | 850 | 0.85 | 0.60 | 37½ | 17¾ |
| 1944 | 5,719 | 7,080 | 1,147 | 2,144 | 925 | — | 89.2 | 5,708 | 78.4 | 774 | 0.77 | 0.60 | 21⅞ | 12¾ |

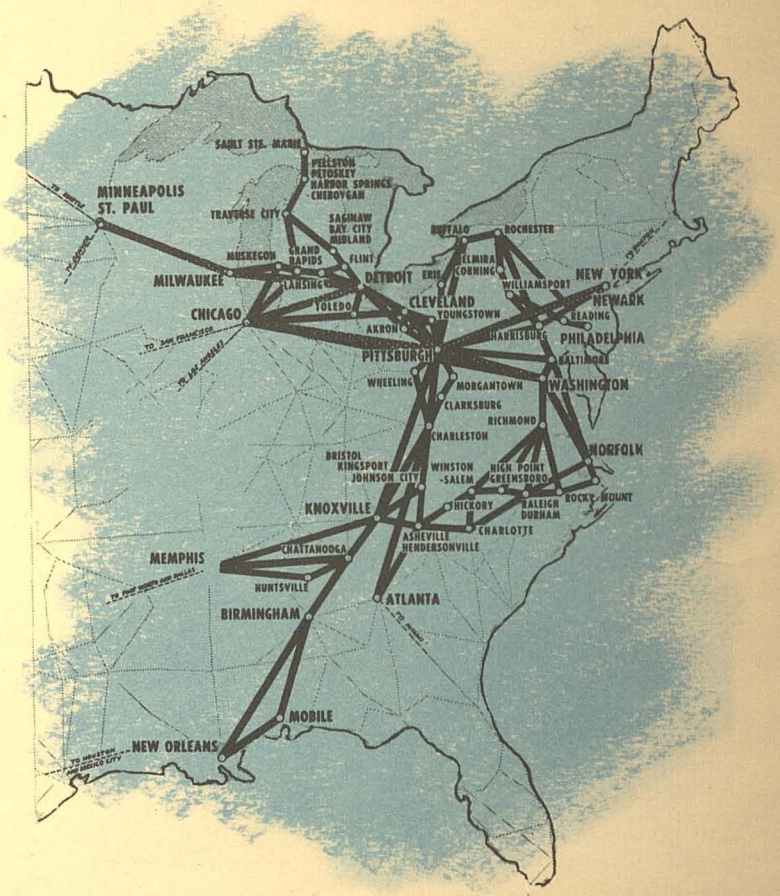
1—Thousands of dollars. 2—After $429,502 deduction for bad debt (Aerovias Braniff, S.A.) 3—Three months ended March 31. 4—Through 7-29-49.
d—Deficit.

# CAPITAL AIRLINES

A medium-sized airline, Capital has approximately 5,500 miles of routes covering the area east of the Mississippi River. The company was a pioneer in instituting coach-type service with flights begun in November, 1948, between New York and Chicago based on a 4 cents a mile rate. This service was expanded in April to include trips between New York and Minneapolis and between Washington and Chicago. At the 1948 year-end, flight equipment included 19 DC-4s, 23 DC-3s and 4 C-54s and 1 C-47 cargo plane.

In the immediate post-war years, severe operating losses and large outlays for equipment have resulted in a strained financial position. Some $10 million of income debentures were sold in 1945 and an additional $4 million was obtained through bank loans in 1946. Debenture interest was deferred in 1947 and 1948, but after a substantial retroactive mail pay award deferred interest as well as interest due April 1, 1949 was paid. The company also purchased $2,165,000 of debentures at a cost of $1,353,601 in satisfaction of current and deferred sinking fund payments due May 1, 1949. By March 31, 1949 bank loan had been reduced to $2.5 million, this balance representing notes maturing in September, 1949. Management has been working on a refinancing program to enable the company to improve its financial position and obtain funds for purchase of new and more economical equipment.

Intense competition, short haul traffic and light traffic density of much of the system's routes have created basic difficulties for the company. Increased costs have largely offset benefits of widespread economies. Large deficits were incurred in 1946-7. In 1948 higher mail rates and fares permitted a small profit. This year improved traffic and growing freight and coach-type business has substantially aided operations.




## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 17.8 | 16.4 | 2.8 |
| Rev. Pass. Miles (Millions) | 282 | 292 | 16 |
| Available Seat Miles (Millions) | 571 | 539 | 28 |
| Rev. Pass. Carried (Thousands) | 1,034 | 1,101 | 85 |
| Ave. Pass. Trip (Miles) | 272 | 266 | 183 |
| Mail Ton Miles (Thousands) | 884 | 643 | 99 |
| Exp.-Freight Ton Miles (Thousands) | 7,272 | 4,786 | 34 |

## Capitalization — June 30, 1949

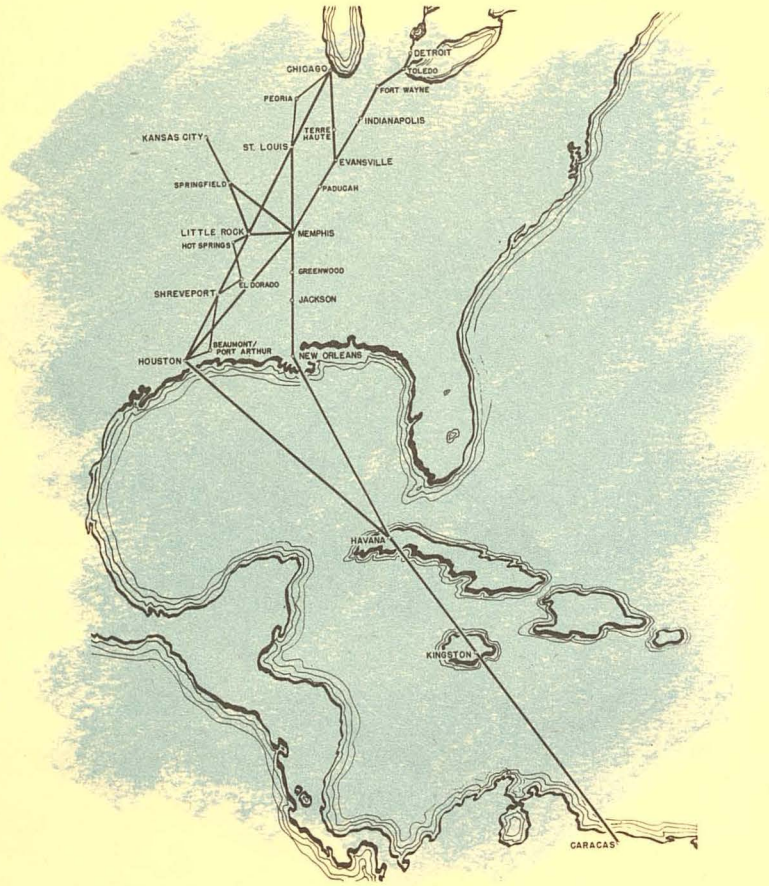
| | |
|---|---|
| 15-Yr. 3½% Conv. Debs. due 9-1-60 | $7,685,000[1] |
| Common Stock ($1 Par) | 479,083 Shs. |

Common Stock listed on the New York Stock Exchange—Symbol CAR.
1.—Callable at 103½ through Sept. 1, 1949, lower thereafter. Convertible into common stock at $38 prior to Sept. 1, 1950, higher thereafter.

| Years Ended Dec. 31 | Balance Sheet Data[1] | | | | | | Income Account Data[1] | | | | Per Common Share | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Total Revenues | Oper. Ratio | Net Income | Earns. | Divs. | Price Range High | Price Range Low |
| 1949[2] | $3,782 | $6,324 | $4,817 | $15,728 | $6,940 | $7,685 | 47.5% | $12,562 | 97.2% | $ 92 | $0.19 | Nil | 8¼[3] | 5¼[3] |
| 1948[2] | — | — | — | — | — | — | 47.1 | 10,477 | 101.8 | d576 | d1.20 | Nil | — | — |
| 1948 | 1,793 | 6,646 | 6,006 | 15,580 | 7,643 | 9,850 | 49.3 | 23,325 | 96.4 | 124 | 0.26 | Nil | 8⅜ | 3⅞ |
| 1947 | 3,428 | 5,528 | 6,473 | 14,370 | 8,555 | 10,281 | 54.2 | 20,343 | 104.3 | d1,581 | d3.30 | Nil | 15½ | 5½ |
| 1946 | 3,212 | 6,311 | 8,745 | 14,726 | 10,778 | 9,850 | 70.0 | 17,867 | 113.8 | d2,951 | d6.16 | Nil | 45¾ | 12⅝ |
| 1945 | 4,921 | 6,698 | 2,875 | 6,845 | 4,559 | 10,000 | 82.0 | 10,979 | 92.2 | 499 | 1.05 | $0.25 | 49¾ | 21⅜ |
| 1944 | 2,766 | 4,124 | 1,630 | 3,355 | 1,625 | — | 81.8 | 6,217 | 88.8 | 405 | 0.81 | Nil | 24⅜ | 13½ |

1—Thousands of dollars. 2—Six months ended June 30. 3—Through 7-29-49. d—Deficit.

# CHICAGO & SOUTHERN AIR LINES




This airline serves the region between the Great Lakes and the Gulf of Mexico, operating approximately 2,800 domestic route miles. Foreign services, which now include about 2,900 route miles in operation, were inaugurated in November, 1946 with flights to Cuba. Service from Cuba to Venezuela with an intermediate stop at Kingston, Jamaica was initiated in July, 1948 after the CAB established temporary mail rates for these routes. International activities last year supplied approximately 20% of 1948 revenues as compared to about 10% in 1947. The company operates a fleet of 12 DC-3 and 6 DC-4 aircraft.

With net working capital amounting to $3.3 million on June 30, 1949, finances are regarded as being satisfactory. Post-war expansion was financed through bank loans and the sale of $3 million of common stock in 1946. All of the bank loans have been paid and the company is free of indebtedness. A retroactive mail pay award in July, 1948 of over $1 million strengthened finances materially. Dividends were paid from 1942-45, but none have been paid since. However, improved operating results have enhanced the possibility of a resumption of payments.

Management has been pursuing a vigorous program of cost control which has contributed to the favorable 1948 and 1949 showing. The company's operating efficiency today compares favorably with carriers of similar size. The new permanent domestic mail rate, (which placed the 1948 rate at an average of 26.7 cents per plane mile) has substantially benefited operations. In view of intense domestic competition for short haul air carriers, Chicago & Southern's foreign routes provide it with the best prospects for future development.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 7.9 | 7.6 | 1.4 |
| Rev. Pass. Miles (Millions) | 119 | 119 | 7 |
| Available Seat Miles (Millions) | 226 | 212 | 14 |
| Rev. Pass. Carried (Thousands) | 291 | 290 | 18 |
| Avg. Pass. Trip (Miles) | 409 | 411 | 383 |
| Mail Ton Miles (Thousands) | 488 | 388 | 67 |
| Exp.-Freight Ton Miles (Thousands) | 1,306 | 1,116 | 21 |

## Capitalization — June 30, 1949

| | |
|---|---|
| Capital Stock (No Par) | 509,326 Shs. |
| Warrants | 15,000[1] |

Capital Stock listed on the New York Curb Exchange—Symbol CGO.
1—Exercisable at $10 per share prior to 1956.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range High | Price Range Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[6] | $3,171 | $4,847 | $1,553 | $5,493 | $1,719 | — | 50.0% | $6,016 | 88.8% | $297 | $0.58 | Nil | 9½[7] | 6[7] |
| 1948[6] | 978 | 3,830 | 1,937 | 5,451 | 2,373 | — | 55.8 | 4,577 | 93.6 | 268 | 0.53 | Nil | — | — |
| 1948 | 2,320 | 4,090 | 1,281 | 5,160 | 1,884 | — | 52.6 | 10,453 | 91.5 | 639 | 1.26 | Nil | 7¾[3] | 5⅛[3] |
| 1947[5] | 1,463 | 3,530 | 1,427 | 5,450 | 2,642 | $560 | 56.3 | 8,565 | 102.8 | d276 | d0.54 | Nil | 9⅛[2] | 4⅛[3] |
| 1946[5] | 1,880 | 4,463 | 2,072 | 5,041 | 3,163 | 1,160 | 70.2 | 8,751 | 107.9 | d476 | d0.93 | Nil | 35[4] | 7½[4] |
| 1945 | 1,191 | 1,666 | 1,265 | 2,538 | 1,450 | — | 79.3 | 4,849 | 94.0 | 173 | 0.56 | $0.25 | 35½[4] | 14½[4] |
| 1944 | 899 | 1,606 | 487 | 1,287 | 527 | — | 82.5 | 2,947 | 94.1 | 129 | 0.44 | 0.25 | 15½[4] | 10[4] |

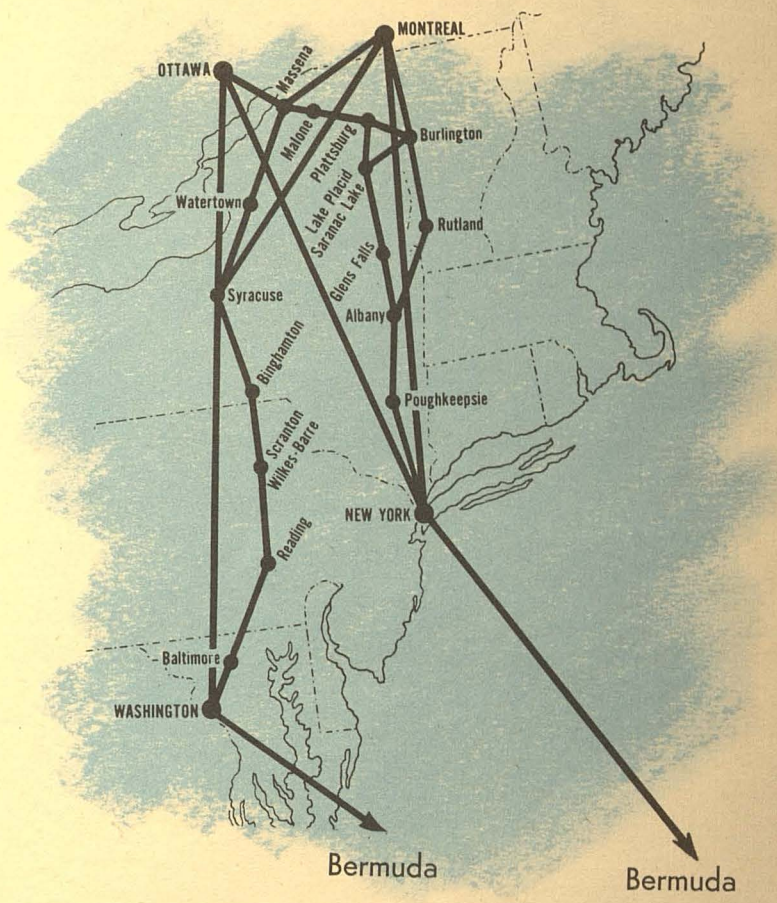
1—Thousands of dollars. 2—Chicago Stock Exchange. 3—New York Curb Exchange. 4—Approximate Off Board range; accurate price data not available. 5—Adjusted for retroactive mail pay. 6—Six months ended June 30. 7—Through 7-29-49. d—Deficit.

# COLONIAL AIRLINES

Colonial is one of the small carriers. It provides service from Washington and New York to Ottawa and Montreal, as well as from Washington and New York to Bermuda. Flights to Bermuda began during August, 1947 and while traffic over this route has expanded sharply, competition from other airlines and surface carriers is severe. The U. S.-Canadian agreement in June awarded a competitive non-stop route between Montreal and New York to Trans-Canada Air Lines and it is expected substantial passenger traffic will be diverted from Colonial as a result. Since the agreement Colonial filed applications for a number of new routes. These include a route between New York and Toronto and others to expand the company's system between upstate points in New York and New York City, Philadelphia and Washington. Flight equipment early this year included 13 DC-3s and 2 DC-4s.

With net working capital of $1.6 million at the 1948 year-end, finances were in fair condition. Early in 1947, the company sold 150,000 shares of common stock and borrowed $600,000 from banks in order to provide funds for expansion. This loan had been reduced to $300,000 by March, 1949. The company announced in June that it would seek an RFC loan to enable it to buy equipment to match Trans-Canada Air Lines on the Montreal-New York route.

In spite of expanded operations, large deficits were experienced in the post-war years with high operating costs an important deterrent to profitable operations. Colonial has been handicapped by the short haul nature of its traffic as well as relatively low traffic density of its routes. Domestic mail rates were increased in 1947 and again in 1948. Company has filed for a higher permanent domestic mail rate retroactive to April, 1946 and larger pay on Bermuda runs from April, 1948.




## Traffic Statistics

| | 1948 | 1947 | 1939 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 3.8 | 3.4 | 0.4 |
| Rev. Pass. Miles (Millions) | 52 | 41 | 3 |
| Available Seat Miles (Millions) | 95 | 72 | 6 |
| Rev. Pass. Carried (Thousands) | 159 | 140 | 9 |
| Avg. Pass. Trip (Miles) | 328 | 295 | 328 |
| Mail Ton Miles (Thousands) | 93 | 79 | 7 |
| Exp.-Freight Ton Miles (Thousands) | 207 | 108 | 1 |

## Capitalization — December 31, 1948

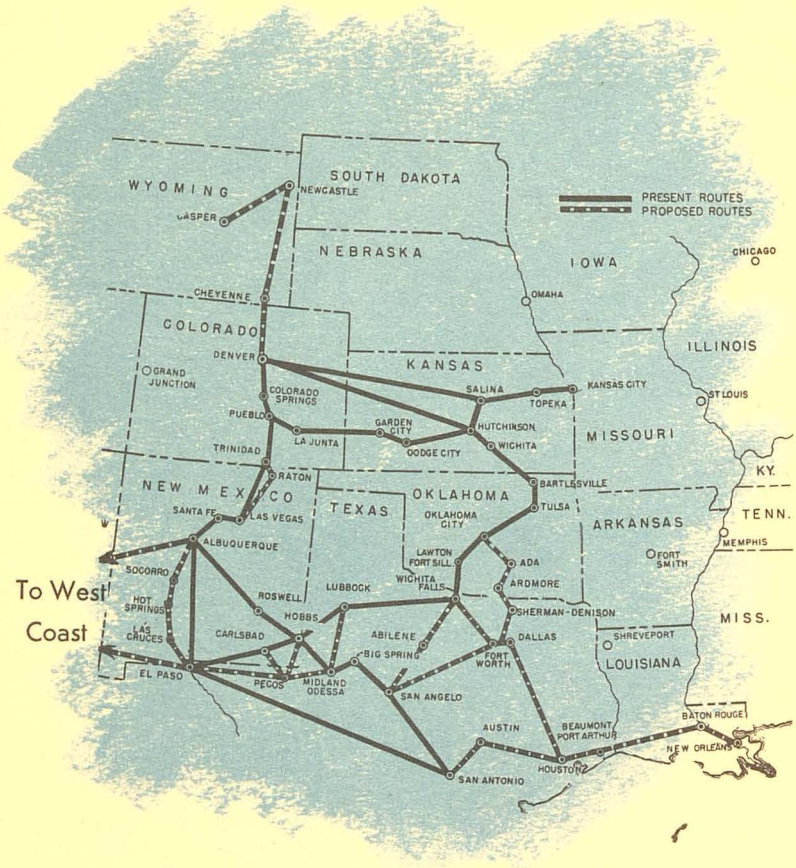
| | |
|---|---|
| 2¾% Notes Payable | $150,000[2] |
| Capital Stock ($1 Par) | 515,600 Shs. |
| Warrants | 85,000[1] |

Capital Stock listed on the New York Curb Exchange—Symbol CNA.
1—To Official—Expiring Nov. 9, 1949—5,000 shares at $12.50 per share. To Underwriters—Expiring Feb. 26, 1950—30,000 shares at $12.25 per share. To Officer—Expiring Feb. 26, 1950—50,000 shares at $12.25 per share. 2—Excludes $200,000 due within next twelve months.

| Years Ended Dec. 31 | Balance Sheet Data[1] | | | | | | | Income Account Data[1] | | | Per Common Share | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Total Revenues | Oper. Ratio | Net Income | Earns. | Divs. | Price Range High | Price Range Low |
| 1949 | — | — | — | — | — | — | — | — | — | — | — | Nil | 7⅞[2] | 4[2] |
| 1948 | — | — | — | — | — | — | — | — | — | — | — | Nil | — | — |
| 1948 | $1,032 | $2,455 | $875 | $2,429 | $1,128 | $150 | 55.2% | $4,993 | 103.8% | $ d261 | $d0.51 | Nil | 9⅛ | 5 |
| 1947 | 859 | 1,632 | 674 | 2,791 | 1,557 | 350 | 57.6 | 3,457 | 125.2 | d1,074 | d2.08 | Nil | 11¾ | 6⅝ |
| 1946 | 179 | 1,123 | 732 | 2,579 | 1,764 | 250 | 72.1 | 3,353 | 113.1 | d375 | d1.03 | Nil | 43 | 10¾ |
| 1945 | 230 | 528 | 334 | 961 | 507 | 208 | 81.4 | 1,780 | 88.8 | 109 | 0.40 | Nil | 45 | 8 |
| 1944 | 194 | 536 | 169 | 549 | 228 | — | 78.9 | 1,144 | 99.8 | d29 | d0.11 | Nil | 9¾ | 6⅝ |

1—Thousands of dollars. 2—Through 7-29-49. d—Deficit.

# CONTINENTAL AIR LINES




Continental is one of the nation's smaller trunk-line systems. It operates as a regional carrier serving six states in the area east of the Rocky Mountains and west of the Mississippi River. Interline traffic is important to the company as connections are made with three of the four transcontinental carriers, American, TWA and United. The plane fleet consists of 5 Convair-Liners and 12 DC-3's.

During 1948, some $2.1 million was spent for aircraft and parts. Most of this was invested in the purchase of 5 Convair-Liners. In order to finance these outlays, additional bank loans amounting to $812,500 were taken down and common stock totaling $269,000 was sold. Depreciation of $466,000 was also an important source of funds. The company has a fairly well balanced capitalization for an airline. On December 31, 1948 long term debt of $1,325,000 amounted to 37% of the total invested capital. Dividends have been paid only in the period 1944-46 and were very conservative in relation to earnings. At the end of 1948, some $307,000 of earned surplus was free from restriction and available for dividends.

Continental has shown a profit each year since 1941 with operating revenues having grown substantially over the years, mostly as a result of the expansion of passenger traffic. However, a high operating ratio has generally restricted profit from commercial operations. Traffic density for the system is rather light, and load factors are lower than those of the industry as a whole. Mail revenues were some 28% of total gross receipts last year. The company has benefited from the rapid economic growth of the territory it serves and in view of its strategic location would be in a strong bargaining position if any general program of mergers were to take place.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 5.7 | 5.2 | 0.7 |
| Rev. Pass. Miles (Millions) | 60 | 59 | 1 |
| Available Seat Miles (Millions) | 118 | 107 | 4 |
| Rev. Pass. Carried (Thousands) | 164 | 161 | 4 |
| Avg. Pass. Trip (Miles) | 365 | 368 | 351 |
| Mail Ton Miles (Thousands) | 180 | 156 | 1.1 |
| Exp.-Freight Ton Miles (Thousands) | 373 | 229 | 1 |

## Capitalization — December 31, 1948

| | |
|---|---|
| Notes Payable—Long Term | $1,325,000 |
| Common Stock ($1.25 Par) | 309,406 Shs. |
| Stock Options | 12,325[1] |

Common Stock traded Off-Board. 1—Entitles holder to purchase common at $8.41⅔ per share.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range[2] High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[7] | — | — | — | — | — | — | — | $1,543 | 117.0% | — | — | Nil | 6⅝[8] | 5[8] |
| 1948[7] | — | — | — | — | — | — | — | 1,380 | 104.9 | — | — | Nil | — | — |
| 1948 | $1,047 | $1,920 | $1,065 | $4,196 | $2,462 | $1,325 | 50.8% | 4,879 | 94.2 | $184 | $0.60 | Nil | 8¼ | 4¾ |
| 1947 | 355 | 1,669 | 573 | 2,113 | 895 | 513 | 55.4 | 4,445 | 97.3 | 100 | 0.37 | Nil | 10⅞ | 5 |
| 1946[3] | 266 | 1,103 | 1,033 | 2,118 | 1,349 | — | 67.4[6] | 2,390 | 102.1 | 2 | 0.01 | Nil | — | — |
| 1946[4] | 251 | 1,091 | 1,058 | 2,024 | 1,481 | — | 71.0 | 3,952[5] | 93.6[5] | 312 | 1.15 | $0.15 | 25 | 7½ |
| 1945[4] | 958 | 1,833 | 1,211 | 1,165 | 638 | — | 82.3 | 2,388[5] | 98.4[5] | 344 | 1.27 | 0.15 | 29½ | 10½ |
| 1944[4] | 877 | 1,268 | 728 | 819 | 398 | 24 | 85.6 | 1,568[5] | 94.6[5] | 199 | 0.77 | 0.15 | 11¾ | 9¼ |

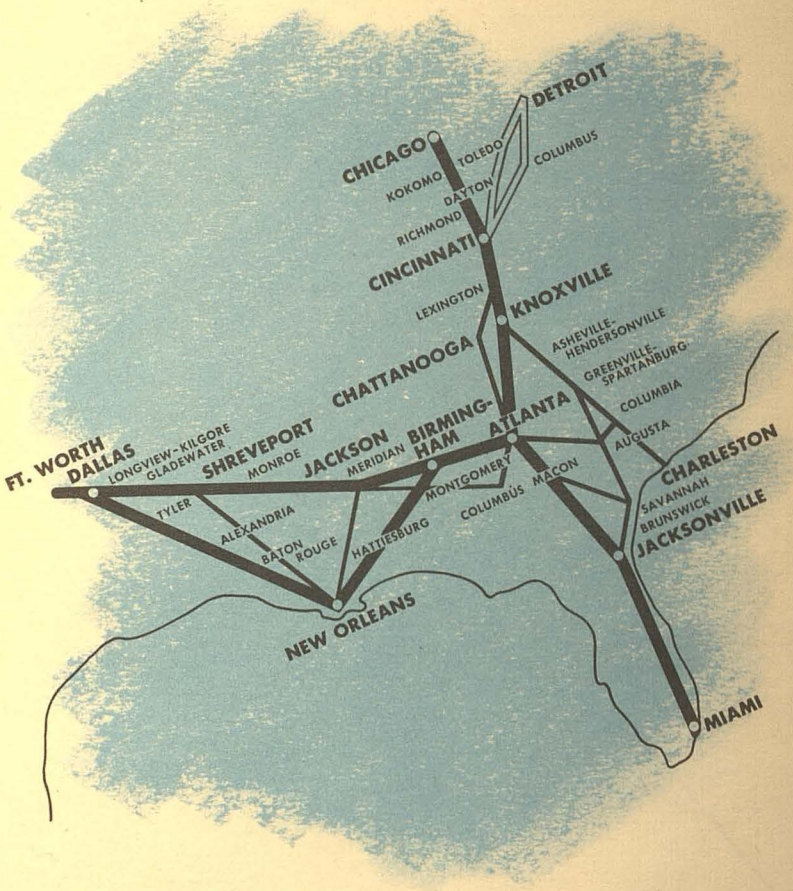
1—Thousands of dollars. 2—Approximate calendar year Off-Board range; accurate price data not available. 3—Six months ended Dec. 31, fiscal year changed from June 30. 4—Year ended June 30. 5—Excludes military operations. 6—12 months ended Dec. 31, 1946. 7—4 months ended Apr. 30. 8—Through 7-29-49.

# DELTA AIR LINES

A medium-sized airline that operates solely within the United States, Delta has a route system of approximately 4,000 miles extending from the Great Lakes to Florida. An important source of revenues is provided by North-South vacation traffic. Eastern Air Lines provides the most important competition especially on the Chicago-Miami route. Over the past year, Delta and National Airlines have discussed a possible merger but no definite agreement has been reached. In addition to its air transport activities the company provides a crop dusting service.

The company has followed a moderate program of expansion and finances are in a fairly satisfactory condition. Over the last five years, total property has increased about $10 million. Of this, some $4 million was obtained from the sale of stock, $5 million from long term bank loans and the balance from reinvested earnings. Payments for 5 DC-6's delivered in the latter part of 1948 caused the sharp increase in long term debt and the decline in working capital. Depreciation, currently running at a rate in excess of $1 million per year, is considered as an important source of funds needed to meet debt maturities. Common dividends were paid from 1942 to January, 1947. Payments were resumed in July of this year with a 25c disbursement.

Delta is regarded as one of the more efficiently operated airlines, a factor which has contributed to its better-than-average earnings record. Revenues have shown a steady growth over the years. However, the $1.5 million increase in mail rates was largely responsible for the income jump in the 1948 fiscal year. In the first six months of 1949, a new record in total revenue passenger miles was flown. Net profit for the 1949 fiscal year of $655,000 is also a new peak.




## Traffic Statistics — Years Ended June 30

| | 1949 | 1948 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 12.9 | 12.8 | 1.6 |
| Rev. Pass. Miles (Millions) | 202 | 188 | 6 |
| Available Seat Miles (Millions) | 361 | 349 | 14 |
| Rev. Pass. Carried (Thousands) | 518 | 494 | 21 |
| Avg. Pass. Trip (Miles) | 389 | 382 | 282 |
| Mail Ton Miles (Thousands) | 932 | 850 | 62 |
| Exp.-Freight Ton Miles (Thousands) | 2,441 | 2,469 | 9 |

## Capitalization — April 30, 1949

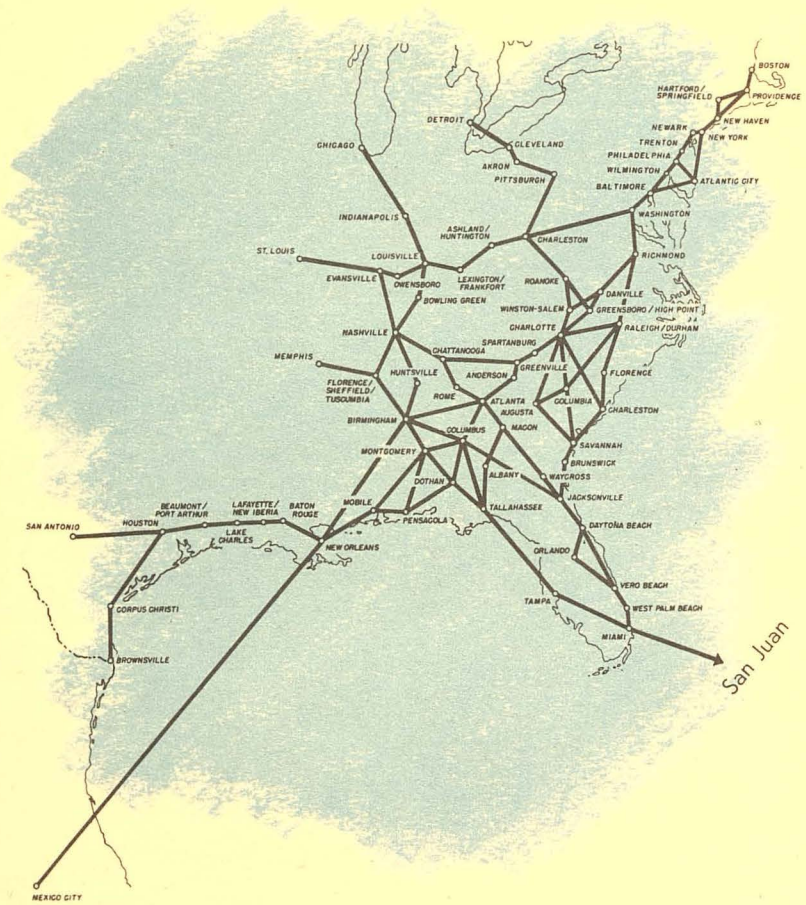
| | |
|---|---|
| Long Term Debt | $3,030,000 |
| Capital Stock ($3 Par) | 500,000 Shs. |

Capital Stock traded Off-Board.

| Years Ended June 30 | Balance Sheet Data[1] | | | | | | Income Account Data[1] | | | | Per Common Share[2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Total Revenues | Oper. Ratio | Net Income | Earns. | Divs. | Price Range[3] High | Price Range[3] Low |
| 1949[4] | $2,817 | $5,416 | $2,844 | $10,880 | $6,801 | $2,925 | 55.8% | $15,228 | 93.8% | $655 | $1.31 | $0.25 | 16¾[5] | 13¼[5] |
| 1948 | 1,036 | 4,682 | 2,181 | 7,385 | 4,358 | 825 | 53.9 | 12,819 | 98.4 | 205 | 0.41 | Nil | 19½ | 12½ |
| 1947 | 2,948 | 5,630 | 2,254 | 5,837 | 3,340 | 1,125 | 66.4 | 11,489 | 103.7 | d310 | d0.62 | $0.25 | 26 | 13½ |
| 1946 | 1,366 | 2,765 | 1,639 | 4,598 | 3,127 | — | 80.2 | 7,862 | 91.9 | 362 | 0.91 | 0.50 | 63½ | 19 |
| 1945 | 3,723 | 4,573 | 1,452 | 1,831 | 919 | — | 87.6 | 5,157 | 70.6 | 551 | 1.38 | 0.50 | 70 | 22 |
| 1944 | 880 | 1,669 | 667 | 1,251 | 625 | — | 90.4 | 3,233 | 74.1 | 429 | 1.44 | 0.33⅓ | 22 | 14⅝ |

1—Thousands of dollars. 2—Adjusted for 50% stock dividend paid in 1945. 3—Calendar years; approximate Off-Board ranges. 4—Unaudited. 5—Through 7-29-49. d—Deficit.

# EASTERN AIR LINES




For the most part, Eastern's services are concentrated in the area east of the Mississippi River. Its approximately 10,000 miles of routes makes it one of the largest U. S. air transportation companies. International operations are small.

Reflecting Eastern's favorable operating record and conservative expansion program, finances are among the strongest in the airlines industry. Gross property has increased by some $18 million in 1947 and 1948 due to acquisition of Constellations (15 in service early in 1949 with 5 additional coming) and outlays for other types of equipment and facilities. Outlays have been financed through earnings and notes payable to banks under a revolving credit agreement. Depreciation provisions (upwards of $6 million in 1948) are an important source of funds. Dividends in the years 1945-47 were moderate in relation to earnings.

Over the years a particularly favorable earnings performance has been recorded in relation to the industry. This is one of the few systems to operate profitably from 1946-48 and the only scheduled company not having received any form of mail subsidy in the post-war period. This performance reflects low-cost operations, aided by a high level of equipment utilization and an above average revenue yield per revenue mile. Accounting policies are highly conservative as evidenced by the rapid write-off of new equipment.

Domestic competition along the company's routes has increased, and the proposed interchange of equipment between Pan American, Panagra and National, if approved, could cause diversion of foreign traffic. However, the large fleet of new-type Constellations and the very efficient level of operations should help the company maintain its excellent industry record.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 52.5 | 49.8 | 8.3 |
| Rev. Pass. Miles (Millions) | 1,029 | 960 | 71 |
| Available Seat Miles (Millions) | 1,756 | 1,601 | 137 |
| Rev. Pass. Carried (Thousands) | 2,014 | 1,750 | 162 |
| Avg. Pass. Trip (Miles) | 511 | 548 | 440 |
| Mail Ton Miles (Thousands) | 4,421 | 3,489 | 822 |
| Exp.-Freight Ton Miles (Thousands) | 10,398 | 6,858 | 252 |

## Capitalization — December 31, 1948

| | |
|---|---|
| 1¾% Notes Payable to Banks | $12,000,000 |
| Common Stock ($1 Par) | 2,395,572 Shs. |

Common Stock listed on New York Stock Exchange—Symbol EAL.

| Years Ended Dec. 31 | Balance Sheet Data[1] | | | | | | Load Factor | Income Account Data[1] | | | Per Common Share[3] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | | Total Revenues | Oper. Ratio | Net Income | Earns. | Divs. | Price Range High | Price Range Low |
| 1949[4] | — | — | — | — | — | — | — | — | — | $2,148 | $0.90 | Nil | 16⅞[5] | 13[5] |
| 1948[4] | — | — | — | — | — | — | — | — | — | 1,321 | 0.55 | Nil | — | — |
| 1948 | $26,286 | $32,473 | $15,908 | $32,988 | $19,044 | $12,000 | 58.6% | $66,487 | 92.3% | 2,347 | 0.98 | Nil | 20⅝ | 13⅞ |
| 1947 | 12,245 | 16,979 | 9,844 | 28,801 | 19,364 | 5,000 | 59.9 | 52,265 | 95.0 | 1,259 | 0.53 | $0.25 | 24¼ | 16 |
| 1946 | 20,523 | 24,806 | 12,714 | 14,902 | 8,916 | — | 76.5 | 41,825 | 80.9 | 4,405[2] | 1.84[2] | 0.50 | 33⅜ | 16⅛ |
| 1945 | 22,902 | 26,313 | 11,503 | 8,092 | 2,659 | — | 87.0 | 26,711 | 70.6 | 2,126 | 0.89 | 0.25 | 33½ | 9¾ |
| 1944 | 18,405 | 22,283 | 7,336 | 6,588 | 1,482 | — | 86.2 | 18,545 | 70.5 | 1,499 | 0.63 | Nil | 10¼ | 8¼ |

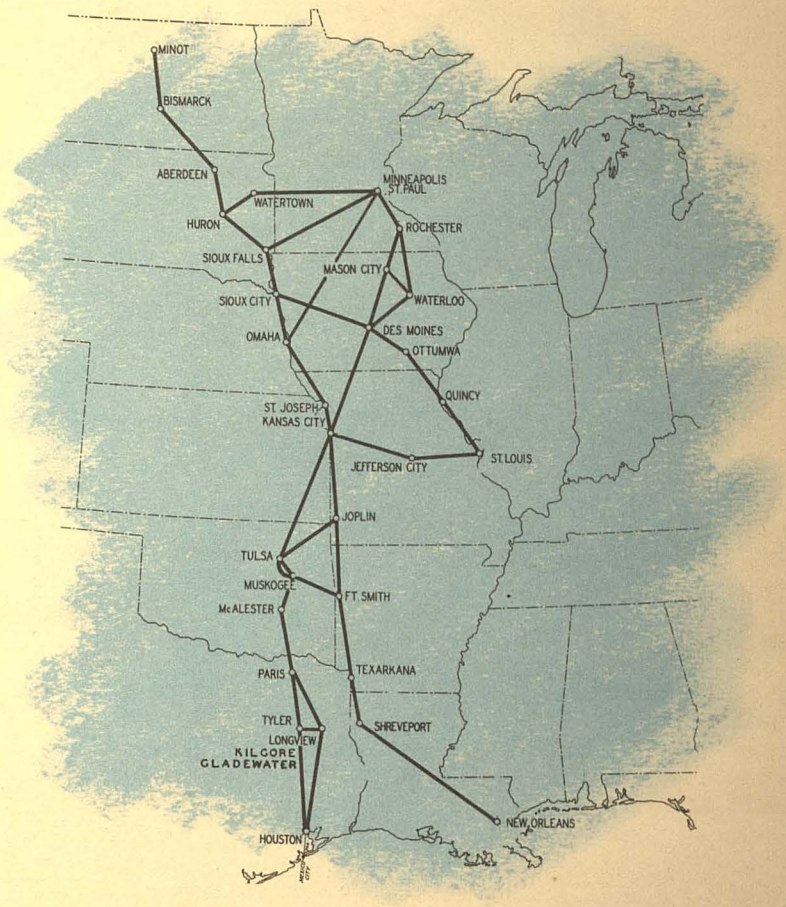
1—Thousands of dollars. 2—Before reserves and reserve credits. 3—Adjusted for 4-for-1 split in 1946. 4—Six months ended June 30. 5—Through 7-29-49.

# MID-CONTINENT AIRLINES

A relatively small, sectional air carrier, Mid-Continent operates a north-south network connecting North Dakota and Minnesota with Texas and Louisiana. Major route developments in the past several years included temporary certification of a Tulsa-Houston route and new service between Kansas City and St. Louis and between Sioux City and Des Moines. Interline connections with some 13 other airlines provide a substantial portion of total revenues. Company is seeking CAB approval for acquisition of Parks Air Lines, Inc. a 4,000 mile feeder line, holding a limited certificate for routes mainly adjacent to the northern part of Mid-Continent's system. The latter would issue 13,496 common shares in exchange for entire 32,392 outstanding shares of Parks, or basis of 1 for 2.4 shares.

Finances were satisfactory at the 1948 year-end. Company has followed a conservative expansion program with equipment purchases limited to DC-3's. In 1948, 3 of these planes were added to the system, and 2 more were added in the middle of 1949 bringing the fleet to a total of 20, 5 of which are leased from the government. No new financing will be required unless a major equipment program is undertaken. The company paid its first dividend last year in the amount of $0.25; the same amount being paid in June of this year.

A sharp expansion in passenger traffic has been achieved over the years and the company has been in the black every year since 1942. Early in 1949, disposition of the company's air mail petitions and the new rate formula resulted in an overall upward adjustment in revenues and earnings in 1947 and 1948. Mail pay in 1948 provided about 17.5% of total operating revenue. To offset higher operating costs, the company last year increased the general fare structure and instituted several promotional type services.




## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 8.0 | 6.6 | 1.1 |
| Rev. Pass. Miles (Millions) | 93 | 82 | 3 |
| Available Seat Miles (Millions) | 159 | 132 | 10 |
| Rev. Pass. Carried (Thousands) | 314 | 269 | 14 |
| Avg. Pass. Trip (Miles) | 298 | 304 | 239 |
| Mail Ton Miles (Thousands) | 298 | 231 | 32 |
| Exp.-Freight Ton Miles (Thousands) | 466 | 265 | 6 |

## Capitalization — December 31, 1948

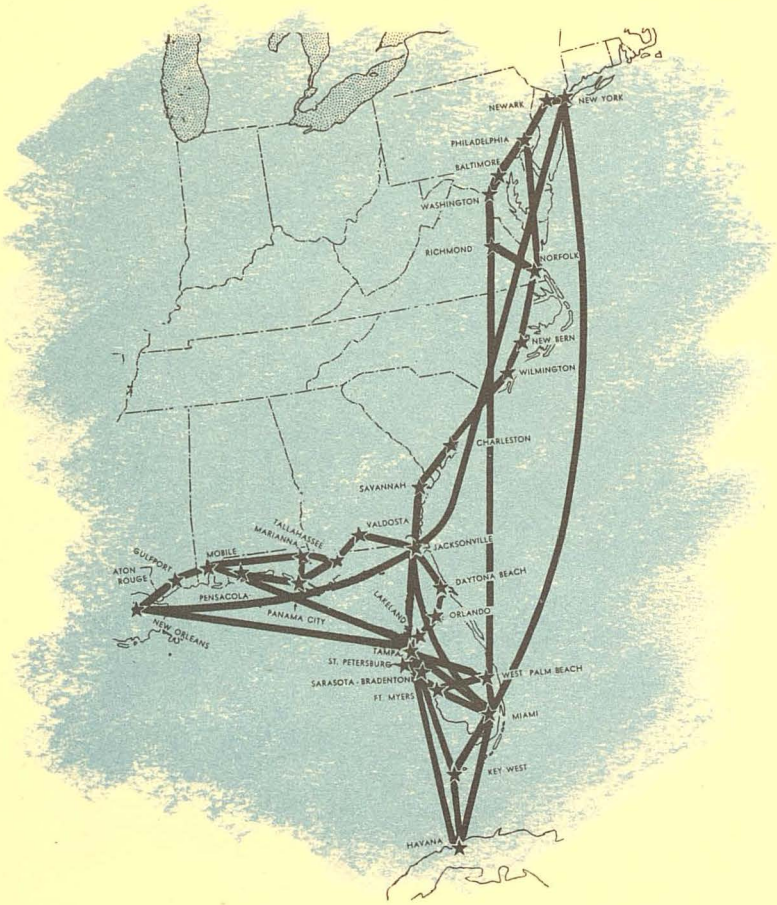
| | |
|---|---|
| Chattel Mortgage Notes | $177,076 |
| Common Stock ($1 Par) | 390,779 Shs. |

Common Stock traded Off-Board.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range[4] High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[2] | — | — | — | — | — | — | — | $3,640 | — | $148 | $0.37 | $0.25 | 7 1/4[3] | 5 1/4[3] |
| 1948[2] | — | — | — | — | — | — | — | — | — | 32 | 0.08 | Nil | — | — |
| 1948 | $708 | $1,852 | $818 | $2,740 | $971 | $177 | 58.4% | 6,920 | 97.1% | 104 | 0.27 | 0.25 | 8 1/8 | 5 |
| 1947 | 842 | 1,592 | 718 | 2,380 | 1,117 | 286 | 61.9 | 5,786 | 94.0 | 179 | 0.47 | Nil | 8 | 5 1/2 |
| 1946 | 823 | 1,611 | 770 | 1,886 | 980 | 244 | 72.5 | 4,872 | 90.8 | 263 | 0.69 | Nil | 21 1/4 | 6 1/4 |
| 1945 | 753 | 1,340 | 693 | 1,703 | 966 | 306 | 75.8 | 3,214 | 90.5 | 171 | 0.44 | Nil | 21 | 8 1/4 |
| 1944 | 1,006 | 1,475 | 924 | 1,190 | 692 | 125 | 77.6 | 1,982 | 85.6 | 120 | 0.31 | Nil | 8 | 5 1/8 |

1—Thousands of dollars. 2—Six months ended June 30. 3—Through 7-29-49. 4—Approximate Off-Board ranges. d—Deficit.

# NATIONAL AIRLINES




The greater part of National's revenues is derived from North-South traffic between New York and Miami. Services are also provided in the Gulf Coast region from Florida to New Orleans. International operations extend from Florida to Havana. Chief competition is from Eastern Air Lines. In March, 1949, company concluded an agreement with Pan American Airways, Pan American Grace Airways and W. R. Grace for interchange of equipment over routes of National and acquisition of a 30% interest in the latter by Pan American and 18% by W. R. Grace. CAB approval of the agreement is required, which may take some time. If secured, it would make National a major factor in the air trade between the New York area and the Central and South Americas.

Reflecting, in part, purchase of 4 DC-6's and 7 DC-4's, equipment and facilities increased by $9.9 million from 1944-48. To finance these purchases $3.4 million was realized through sale of 150,000 additional common shares and $2.8 million was borrowed from banks. Additional stock sales in 1949 netted $1.4 million. Capital outlays and the large 1948 operating loss weakened the company's financial position. However, improvement in operations in the 1949 fiscal year overcame a net working capital deficit and raised working funds to $2 million as of May 31, 1949.

The long-term upward trend of revenues and earnings was abruptly reversed during the 1948 fiscal year due to the grounding of DC-6's in the fall of 1947 and the ten months pilots' strike in calendar 1948. Increased traffic and higher mail and passenger rates benefited operations in 1949. National showed a profit of $244,000 for the eleven months to May, 1949 vs. a $1.7 million loss in the like period a year earlier. If the proposed interchange agreement is approved, the longer-term prospects would be considerably improved.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 6.7 | 10.3 | 0.4 |
| Rev. Pass. Miles (Millions) | 112 | 196 | 0.7 |
| Available Seat Miles (Millions) | 249 | 290 | 3 |
| Rev. Pass. Carried (Thousands) | 221 | 346 | 5 |
| Avg. Pass. Trip (Miles) | 507 | 566 | 150 |
| Mail Ton Miles (Thousands) | 319 | 641 | 11 |
| Exp.-Freight Ton Miles (Thousands) | 1,734 | 1,197 | 1 |

## Capitalization — May 31, 1949

| | |
|---|---|
| Long Term Debt | $1,578,947 |
| Capital Stock ($1 Par) | 1,000,000 |

Capital Stock listed on the New York Stock Exchange—Symbol NAL.

| Years Ended June 30 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share[3] Earns. | Divs. | Price Range[5] High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[6] | $1,683 | $3,499 | $1,488 | $10,603 | $5,798 | $1,421 | 42.7% | $11,589 | 96.8% | $ 243 | $0.24 | Nil | 9½[7] | 5[7] |
| 1948[6] | — | — | — | — | — | — | — | 7,255 | 127.9 | d1,742 | d2.32 | Nil | — | — |
| 1948 | 470 | 2,123 | 2,623 | 10,717 | 7,103 | 1,895 | 45.0 | 7,885 | 128.2 | d1,946 | d2.59 | Nil | 10¼ | 4½ |
| 1947 | 934 | 2,444 | 1,986 | 7,814 | 5,682 | 842 | 67.5 | 11,077 | 94.2 | 373 | 0.50 | Nil | 16¼ | 8⅛ |
| 1946 | 1,476 | 2,629 | 1,617 | 4,494 | 3,494 | 1,875 | 85.7 | 5,833 | 96.8 | 227 | 0.38 | [2] | 34⅞ | 14¾ |
| 1945 | 1,427 | 2,054 | 535 | 1,403 | 859 | — | 89.6 | 3,233 | 92.1 | 170 | 0.28 | Nil | 34¾ | 13½ |
| 1944 | 1,881 | 2,199 | 434 | 842 | 526 | — | 86.8 | 1,780 | 99.5 | 3 | 0.003 | [2] | 16⅛ | 7½[4] |

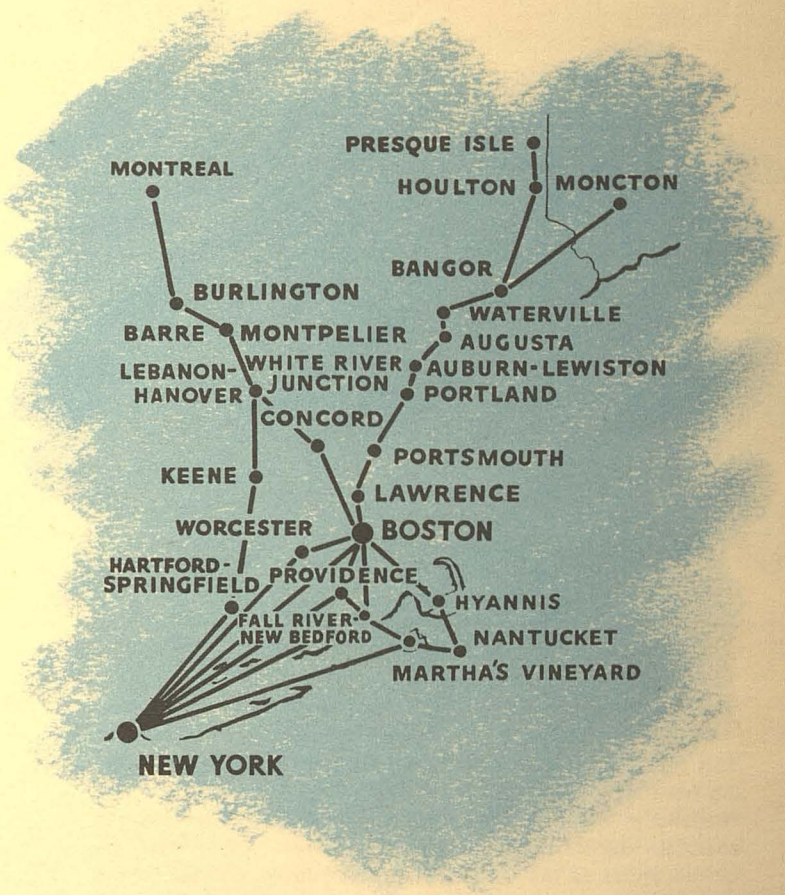
1—Thousands of dollars. 2—Paid 33⅓% in stock in April, 1944 and 20% in January, 1946. 3—Adjusted for 20% stock dividend paid in 1946. 4—Approximate Off-Board price range. 5—Calendar years. 6—Eleven months ended May 31. 7—Through 7-29-49. d—Deficit.

# NORTHEAST AIRLINES

Although commercial operations have expanded sharply since 1944, Northeast is one of the smaller domestic airlines. It provides service covering about 2,000 miles of routes throughout the New England region and to Canada. Boston, New York and Montreal are the principal cities in the system. In February, 1949 the CAB ordered general investigations to determine what action may be required in the public interest with respect to the routes and operations of Northeast. In June, 1949 the company's fleet included 5 new Convair Liners, 3 DC-4s and 8 DC-3s. Sale of the DC-4s is possible now that the Convairs are in operation.

The improvement in the net working capital position at the 1948 year-end reflected the sale of 83,333 shares of preferred stock and the receipt during 1948 of retroactive mail pay for prior years amounting to $1.18 million. In July, conversion of the Atlas Corporation note in the amount of about $316,000 into 109,913 shares of common stock was authorized by stockholders. At the 1948 year-end Atlas owned about 19% of the common and 95% of the preferred. The CAB has ordered Atlas to dispose of its holdings in excess of 3% of outstanding shares of each class by this fall. In May, Northeast secured a $1,750,000 loan from the RFC to help finance purchase of new flight equipment. This had been redeemed to $995,000 by July 15, 1949. No dividends have ever been paid on common.

A poor earnings record has been shown with deficits incurred in seven of the last ten years. Sizable mail increases have been granted. Management has been combatting high operating costs which have importantly restricted profits. After substantial increases in 1945 and 1946, passenger traffic fell sharply in the following two years. However, gains were registered in the first half of 1949 in line with the industry generally.




## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 3.4 | 3.9 | 0.7 |
| Rev. Pass. Miles (Millions) | 52 | 62 | 2 |
| Available Seat Miles (Millions) | 108 | 121 | 7 |
| Rev. Pass. Carried (Thousands) | 272 | 325 | 15 |
| Avg. Pass. Trip (Miles) | 191 | 191 | 152 |
| Mail Ton Miles (Thousands) | 75 | 63 | 7 |
| Exp.-Freight Ton Miles (Thousands) | 294 | 175 | 2 |

## Capitalization — June 30, 1949

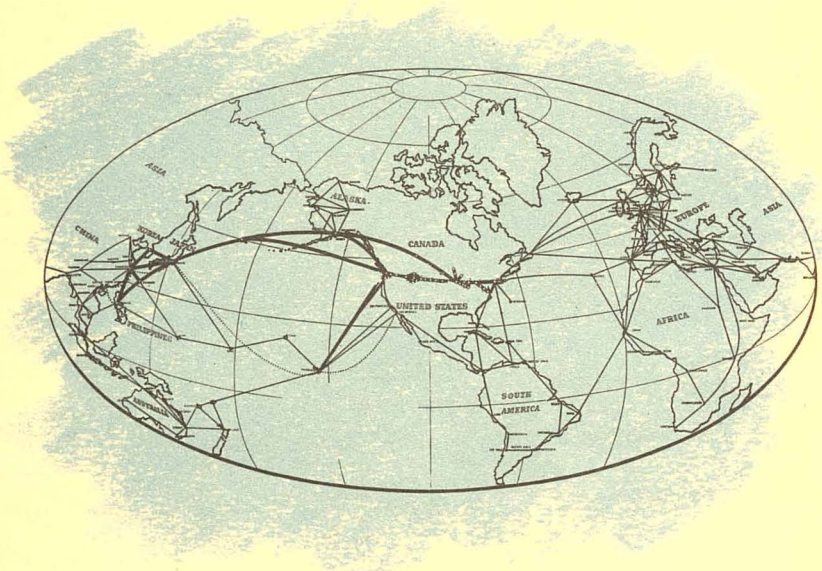
| | |
|---|---|
| Long Term Debt | $1,551,000 |
| $1 Conv. Pfd. Stk. (No Par) * | 80,261 Shs. |
| Common Stk. ($1 Par) | 529,935 Shs. |

Preferred Stock traded Off-Board. Common Stock listed on the New York Curb Exchange—Symbol NEA.
*—Callable at 22; convertible into 6 shares of common through 10-1-49; declining ¼ common share each 6 months until rate reaches 1¼ common shares for each preferred.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range High | Price Range Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[5] | $1,026 | $1,735 | $ 486 | $5,801 | $3,316 | $3,156 | 47.7% | $2,544 | 104.1% | $d119 | $d0.30 | Nil | 3⅛[6] | 2⅛[6] |
| 1948[5] | 198 | 623 | 527 | 3,936 | 2,020 | 1,952 | — | 1,719 | 146.2 | d854 | d1.71 | Nil | — | — |
| 1948 | 999 | 1,479 | 290 | 3,994 | 1,862 | 1,926 | 48.0 | 4,647 | 109.9 | d531 | d1.20 | Nil | 3⅜ | 2⅛ |
| 1947[2] | 295 | 772 | 2,670 | 4,083 | 2,359 | — | 51.2 | 5,043 | 110.0 | d601 | d1.20 | Nil | 7⅜ | 2⅞ |
| 1946[2] | 167 | 1,586 | 2,195 | 3,316 | 2,416 | — | 65.8 | 5,576 | 95.6 | 398[4] | 0.80[4] | Nil | 21⅞ | 6⅜ |
| 1945[2] | 186 | 1,174 | 814 | 1,695 | 1,335 | — | 74.5 | 2,910 | 100.5 | 33 | 0.07 | Nil | 25¼ | 11½ |
| 1944 | 649 | 1,538 | 361 | 858 | 592 | — | 59.1 | 2,426 | 99.5 | d77[3] | d0.15[3] | Nil | 14⅞ | 7 |

1—Thousands of dollars. 2—Income adjusted to include retroactive mail pay. 3—After reserves. 4—After reserve credits. 5—Six months ended 6-30-49. 6—Through 7-29-49. d—Deficit.

# NORTHWEST AIRLINES




This transcontinental carrier operates domestic routes extending from New York and Washington in the East to Seattle and Portland in the Pacific Northwest. In addition, the company operates the strategically important, direct route from the United States to the Orient by way of Alaska. Service on the company's Honolulu route was inaugurated in December, 1948. Interline agreements with other international carriers permit flights to almost any part of the world. The company's international route network includes 20,454 certificated miles, 12,458 in the Orient System, 5,314 on the domestic and 2,682 to Honolulu.

Northwest's post-war expansion program will total about $40 million. Last year, 24 Martin 2-0-2's were put in service and 10 Stratocruisers are expected to be in service before the end of 1949. Some $8.9 million was received from sale of common stock in 1945 and 1946 and $9 million from preferred shares issued in 1947. An $18 million line of credit was arranged in 1947 of which $9 million had been drawn down at the end of 1948. A new $21 million loan agreement to finance purchase of new flight equipment was being negotiated in mid-1949. The RFC has agreed to guarantee up to $12 million of such a loan. Terms call for repayment beginning July 1, 1950 by $1 million installments every 3 months. Depreciation is considered as an important source of funds to meet debt maturities.

Reflecting establishment of transcontinenal and overseas service, operations have grown tremendously over the past few years. In 1948, passenger revenues supplied 69% of the total with mail receipts particularly important on international routes. While operating expenses increased last year, higher passenger and mail rates reduced the deficit from the previous year. In recent months, substantial increases in passenger and freight traffic permitted net income of over $400,000 for the first half of 1949. Growing transcontinental coach flight business has aided this improvement. With its advantageous route structure and modern equipment long-term growth prospects are considered relatively favorable for Nothwest.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 21.3 | 19.6 | 5.1 |
| Rev. Pass. Miles (Millions) | 387 | 383 | 21 |
| Available Seat Miles (Millions) | 683 | 585 | 49 |
| Rev. Pass. Carried (Thousands) | 643 | 663 | 50 |
| Avg. Pass. Trip (Miles) | 601 | 577 | 425 |
| Mail Ton Miles (Thousands) | 4,026 | 2,737 | 556 |
| Exp.-Freight Ton Miles (Thousands) | 6,632 | 3,394 | 71 |

## Capitalization — March 31, 1949

| | |
|---|---|
| Long Term Bank Loans | $7,650,000 |
| 4.6% Cum. Conv. Pfd. Stk. ($25 Par) * | 390,000 Shs. |
| Common Stock ($10 Par) | 820,755 Shs. |

Preferred and Common Stocks listed on the New York Stock Exchange—Symbol NWA. *—Callable at 26¼ through 5-1-51; lower thereafter. Convertible into 1½ common shares through 12-31-56.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range[7] High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[8] | $5,660 | $11,422 | $5,989 | $32,291 | $18,119 | $17,400 | — | — | — | $ 431 | $0.25 | Nil | 11¼[9] | 7[9] |
| 1948[8] | 6,034 | 10,488 | 4,333 | 23,984 | 14,147 | 15,850 | — | — | — | d2,016 | d2.73 | Nil | — | — |
| 1948 | 6,527 | 12,208 | 5,777 | 31,836 | 18,484 | 17,850 | 56.6% | $35,146 | 103.8% | d 787 | d1.51 | Nil | 17⅛ | 8¼ |
| 1947 | 3,492 | 7,837 | 5,630 | 24,417 | 15,379 | 9,750 | 65.5 | 26,579 | 106.3 | d1,141 | d1.75 | Nil | 22¼ | 11 |
| 1946[3] | 2,775 | 5,679 | 4,414 | 14,246 | 9,239 | — | 76.0 | 11,781 | 102.1 | d 55 | d0.07 | Nil | 56½ | 18⅝ |
| 1946[4] | 2,348 | 5,129 | 4,701 | 10,966 | 7,482 | — | 88.6 | 15,469[2] | 90.2 | 939[5] | 1.73[5] | $0.50 | — | — |
| 1945[4] | 7,208 | 9,991 | 3,445 | 5,121 | 2,518 | — | 85.8 | 10,798[2] | 91.4 | 678[5] | 1.26[5] | 0.50 | 63½ | 26¾ |
| 1944[4] | 4,960 | 6,824 | 3,735 | 3,531 | 1,483 | — | 85.2 | 6,857[2] | 83.0 | 618[6] | 1.74[6] | 0.50 | 31⅞ | 17½ |

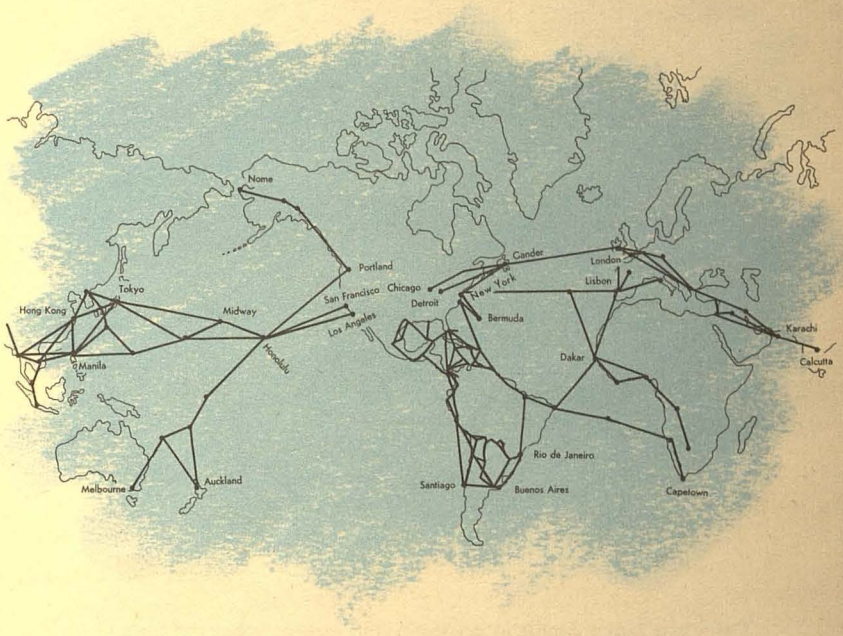
1—Thousands of dollars. 2—Includes fees from cost-plus Government contracts. 3—Six months ended Dec. 31. 4—Years ended June 30. 5—Before reserve credits of $50,000. 6—Before deducting $100,000 reserves for contingencies. 7—Calendar years. 8—Six months ended June 30. 9—Through 7-29-49. d—Deficit.

# PAN AMERICAN AIRWAYS

The Pan American Airways system is the world's largest privately-owned international airline and its routes tap many of the globe's most densely populated areas. Investments in airlines outside the U. S. and other holdings are sizable. Last December, PAA and American Overseas Airlines reached an agreement whereby Pan American is to purchase the assets and assume the liabilities of Overseas in exchange for PAA common stock. Consummation of the plan rests upon approval of the CAB and stockholders of the two companies. No decision had been handed down through mid-1949 on the company's application for domestic express routes to link its gateway cities within the U. S. CAB approval is also being sought to an equipment interchange agreement executed with National Airlines.

The company has a relatively good financial position reflecting prudent financial management as well as the ability to avoid heavy losses that have plagued most domestic airlines in the post-war period. Funds for expansion were obtained from sale of $44 million common stock in 1945 and through a $40 million line of bank credit arranged in 1946. A new credit agreement in early 1949 permits additional borrowing of $10 million if American Overseas merger is approved. Large provisions for depreciation constitute an important source of funds. On Dec. 31, 1948 a special fund for equipment purchases totalled $23 million; commitments approximated $31.2 million. Dividends have been paid every year since 1941.

Company's long term earnings record is among the best in the industry, although results in the last several years are difficult to evaluate because final mail rates have not been set for some routes. Operations have expanded greatly over the years with revenues in the post-war period soaring over pre-war experience. Competition has intensified as the result of domestic carriers having been permitted to initiate commercial international service and foreign carriers stepping up activities. In view of its world-wide routes, experienced personnel and vast fleet of post-war aircraft, the company should hold its own and enjoy further long term growth. Of 20 new Stratocruisers being added to the fleet, 10 were in service by June, 1949.




## Traffic Statistics*

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 61 | 57 | 5 |
| Rev. Pass. Miles (Millions) | 1,157 | 1,153 | 44 |
| Available Seat Miles (Millions) | 1,980 | 1,904 | 92 |
| Rev. Pass. Carried (Thousands) | 933 | 953 | 91 |
| Avg. Pass. Trip (Miles) | 1,240 | 1,210 | 485 |
| Mail Ton Miles (Thousands) | 11,804 | 9,052 | N.A. |
| Exp.-Freight Ton Miles (Thousands) | 33,883 | 26,538 | N.A. |

*--Pan American Airways Inc., only, the principal operating company. N.A.—Not available.

## Capitalization — December 31, 1948

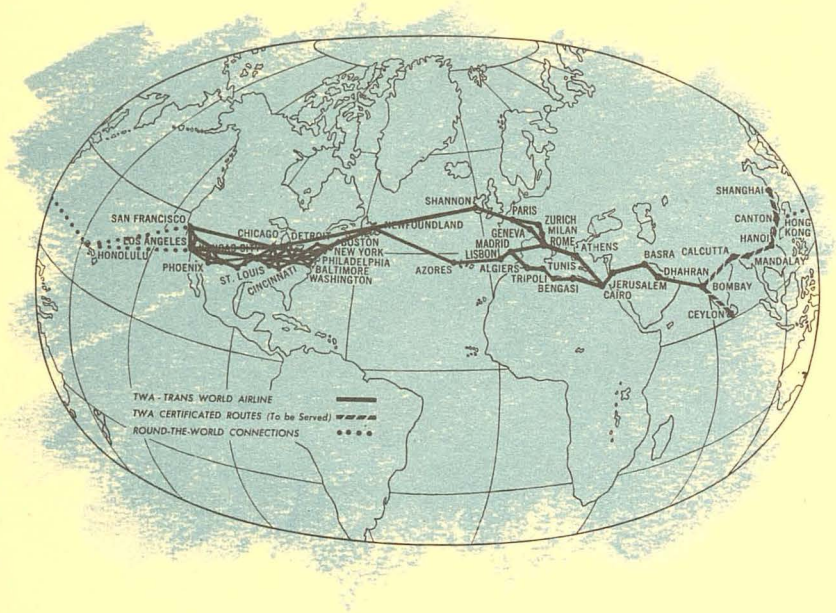
| | |
|---|---|
| Long Term Debt | $25,000,000 |
| Capitol Stock ($2.50 Par) | 6,145,082 Shs. |

Capital Stock listed on the New York Stock Exchange—Symbol PN.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share[6] Earns. | Divs. | Price Range High | Price Range Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949 | — | — | — | — | — | — | — | — | — | — | — | Nil | 10⅝[7] | 8[7] |
| 1948 | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 1948 | $17,934 | $40,124 | $28,394 | $93,443 | $62,269 | $25,000 | N.R. | $145,216[2] | 95.0% | $4,591 | $0.75 | $0.25 | 11½ | 8¼ |
| 1947 | 8,790 | 38,365 | 24,610 | 80,332 | 57,213 | 7,000 | N.R. | 142,362[2] | 96.1 | 2,960 | 0.49 | 0.25 | 14⅞ | 8¼ |
| 1946 | 14,351 | 48,005 | 28,188 | 74,307 | 54,292 | 20,325 | N.R. | 113,180[3] | 88.2 | 2,983[4] | 0.49[4] | 0.50 | 27 | 11½ |
| 1945 | 19,592 | 35,965 | 16,595 | 40,645 | 21,863 | 3,164 | N.R. | 69,890[3] | 89.5 | 7,566[4 5] | 1.23[4 5] | 0.25 | 29 | 16¼ |
| 1944 | 9,176 | 25,854 | 15,187 | 33,488 | 16,059 | 4,004 | N.R. | 47,328 | 93.8 | 1,619 | 0.41 | 0.50 | 21⅝ | 11¾ |

1—Thousands of dollars. 2—Includes $9,547,375 in 1948 and $4,722,613 in 1947 estimated additional revenue from carriage of U. S. Mail after deducting $1,000,000 reserve provision. 3—Includes estimated U. S. Mail pay of $22,130,724 in 1946 and $10,670,553 in 1945. 4—After deducting $8,953,249 in 1946 and $2,423,439 in 1945 reserve for estimated balance receivable for carriage of U. S. Mail. 5—Includes $4,811,311 gain on sale of interest in a subsidiary. 6—Adjusted for 2-for-1 split in 1945. 7—Through 7-29-49. N.R.—Not reported.

# TRANSCONTINENTAL & WESTERN AIR TWA




TWA is a major factor in domestic and international air transportation. At the beginning of 1949, its extensive transcontinental system approximated 7,000 route miles and served 55 cities, while the international system was operating more than 18,000 route miles and was serving 16 foreign cities. In 1948, about 60% of total revenues was derived from domestic business and 40% from international activities. Foreign service was inaugurated in 1945.

To finance the tremendous post-war expansion program, a substantial amount of long-term debt has been issued, some $55.8 million was outstanding on February 1, 1949. Included in this figure were 3% promissory notes in the amount of $16.4 million, originally borrowed to help finance purchase of 12 Constellations. Payments to be made on funded debt this year approximate $7.7 million. Conversion of $10 million extended by Hughes Tool Company into 1,034,423 shares of common was accomplished in August, 1948. In the last three years operating losses, heavy interest and sinking fund charges and acquisition of new flight equipment created a substantial drain on financial resources. In March, 1949, $3.8 million was realized from the sale of 404,112 additional shares of common. Hughes Tool Co. owns about 74% of outstanding common. The company has contracted for the purchase of 20 additional Constellations to cost about $20 million, about $8 million to be paid out of company funds and the remainder financed through banks. Delivery is to start in June, 1950 with the first few planes received to be placed into service in the expanding international system.

The difficulties of recent years have brought a series of management changes. Net loss in 1948 was reduced substantially from the previous year due to a 15% gain in traffic, increased mail payments and improved operating efficiency. Upsurge in traffic in the second quarter of 1949 resulted in the company being substantially in the black for the first half year after a large first quarter loss. It is possible that if American Overseas-Pan American merger is consummated, TWA's route structure may be broadened in the interest of competition. Growth prospects are enhanced by the continued rapid growth of foreign acivities.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 67.4 | 58.1 | 9.9 |
| Rev. Pass. Miles (Millions) | 1,113 | 1,044 | 72 |
| Available Seat Miles (Millions) | 1,922 | 1,531 | 159 |
| Rev. Pass. Carried (Thousands) | 1,325 | 1,139 | 137 |
| Avg. Pass. Trip (Miles) | 840 | 916 | 530 |
| Mail Ton Miles (Thousands) | 12,655 | 10,822 | 1,320 |
| Exp. Freight Ton Miles (Thousands) | 22,375 | 15,206 | 285 |

## Capitalization — February 1, 1949*

| | |
|---|---|
| Long Term Debt | $55,838,319 |
| Capital Stock ($5 Par) | 2,424,672 Shs. |

Capital Stock listed on the New York Stock Exchange—Symbol TWA.

*—After giving effect to sale of 404,212 shares of Common Stock.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[4] | — | — | — | — | — | — | — | $21,278 | 113.3% | $d3,265 | $d1.61 | Nil | 15⅞[5] | 10[5] |
| 1948[4] | — | — | — | — | — | — | — | 20,666 | 107.6 | d1,997 | d2.03 | Nil | — | — |
| 1948 | $10,646 | $24,617 | $15,379 | $71,370 | $45,973 | $50,094 | 57.9% | 101,114 | 97.9 | d 479 | d0.24 | Nil | 22⅜ | 9⅝ |
| 1947 | 8,745 | 19,993 | 12,515 | 58,592 | 39,240 | 42,639[2] | 68.2 | 78,840 | 108.6 | d8,080 | d8.20 | Nil | 22⅞ | 13½ |
| 1946 | 4,549 | 18,644 | 19,823 | 52,468 | 40,183 | 38,047 | 84.2 | 58,048 | 124.5 | d13,666 | d13.86 | Nil | 71 | 18¾ |
| 1945 | 12,012 | 19,904 | 12,103 | 24,744 | 18,300 | 11,190 | 90.3 | 33,776 | 90.6 | 1,814[3] | 1.84[3] | Nil | 79 | 26 |
| 1944 | 10,509 | 15,219 | 6,272 | 9,643 | 5,046 | — | 91.6 | 25,341 | 81.2 | 2,753 | 2.82 | Nil | 29 | 17½ |

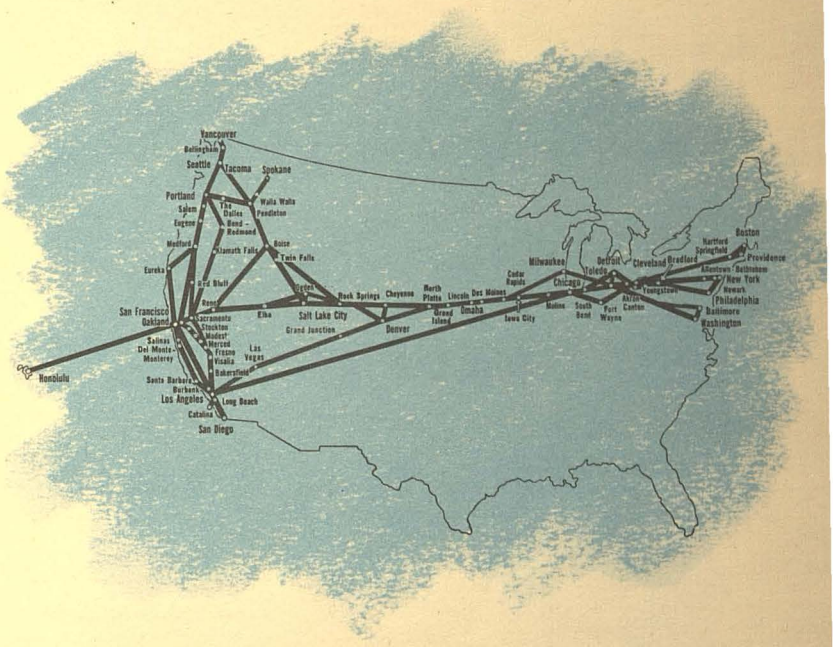
1—Thousands of dollars. 2—Excludes subordinated notes. 3—Includes loss of $348,320 on property sold which resulted in a reduction of $158,040 in income taxes. 4—Three months ended March 31. 5—Through 7-29-49. d—Deficit.

# UNITED AIR LINES

One of the pioneers of the industry, United is the second largest domestic air carrier, serving 80 cities connecting the Atlantic and Pacific Coast regions with routes operating north and south on the Pacific Coast from Vancouver to San Diego totaling 10,700 route miles. A San Francisco-Honolulu route is operated and application is pending for a Los Angeles-Honolulu route. Mexican operations are conducted by a subsidiary. United also has interline agreements with 33 international carriers and through-fare arrangements with nine of them. The company is the largest carrier of domestic air mail.

A $100 million post-war expansion program was financed by $49 million of new funds arranged for in 1947, plus accumulated funds from prior years' earnings and depreciation. The 1947 financing included the issuance of debentures, 94,733 shares of preferred stock and a $28 million bank loan agreement. Repayment of the bank loan began in 1948 and as of July 1, 1949 scheduled repayment of $5,600,000 had been made. In 1948, $1,700,000 was also realized in the sale of 184,809 additional common shares. Expenditures for equipment and facilities in 1948 amounted to $12,400,000. The one remaining uncompleted portion of the expansion program is the delivery of seven Boeing Stratocruisers which are expected to be in service in the Honolulu route late this year. The company has the funds for the payment of these airplanes. Resumption of common dividends discontinued in 1947 seems unlikely in the immediate future.

Beginning in 1946, the rapid rise in operating costs out-paced the substantial expansion in traffic and revenues despite extensive economy moves. Large operating losses in 1947 and 1948 of $3.47 million and $1.07 million respectively, were prior to final determination of mail pay for these years. The much improved passenger traffic trend this year plus expansion in freight and mail business is benefiting operations. Net proft of $3.14 million in the second quarter almost completely offset the deficit shown in the first period. Over the long term United's strong route structure should permit it to participate fully in the anticipated growth of the industry.




## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 59.6 | 60.1 | 14.9 |
| Rev. Pass. Miles (Millions) | 1,217 | 1,231 | 104 |
| Available Seat Miles (Millions) | 1,850 | 1,627 | 207 |
| Rev. Pass. Carried (Thousands) | 1,950 | 1,935 | 217 |
| Avg. Pass. Trip (Miles) | 624 | 636 | 501 |
| Mail Ton Miles (Thousands) | 9,740 | 8,665 | 2,314 |
| Exp.-Freight Ton Miles (Thousands) | 27,176 | 17,063 | 723 |

## Capitalization — July 1, 1949

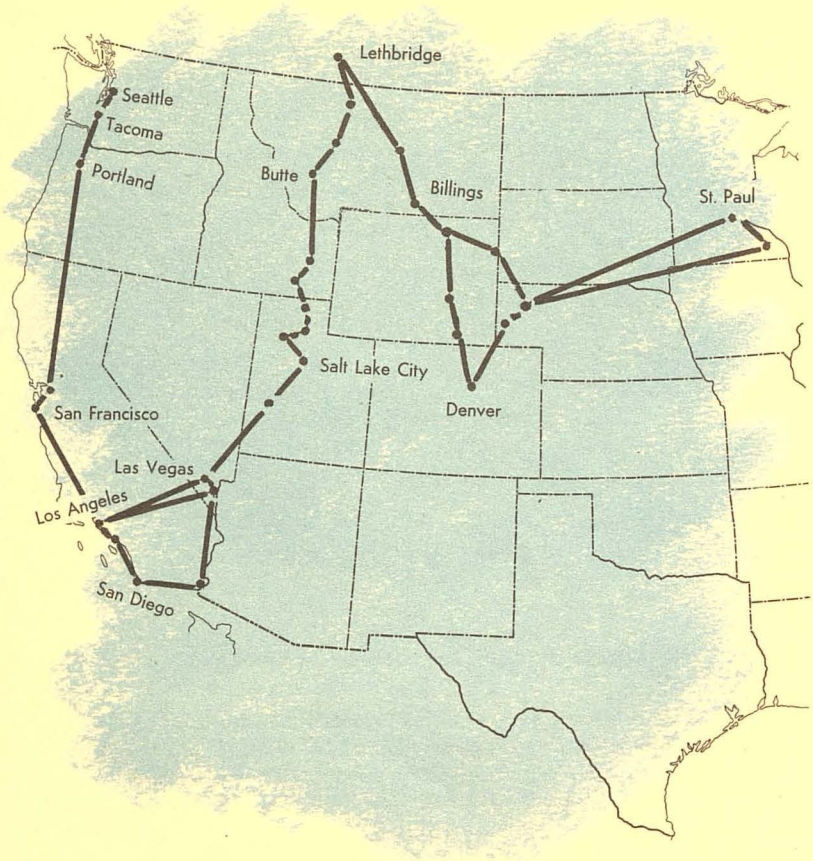
| | |
|---|---|
| Long Term Debt | $29,840,000 |
| 4½% Cum. Conv. Pfd. Stk. ($100 Par) * | 94,773 Shs. |
| Management Stock ($10 Par) † | 36,650 Shs. |
| Common Stock ($10 Par) | 2,032,897 Shs. |

Preferred and Common Stocks listed on the New York Stock Exchange—Symbol AL. *—Callable at 105 through 1-1-50; convertible into common at $23.70 per share. †—Convertible into common on a share for share basis.

| Years Ended Dec. 31 | Balance Sheet Data[1] | | | | | | | Income Account Data[1] | | | Per Common Share | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap. | Load Factor | Total Revenues | Oper. Ratio | Net Income | Earns. | Divs. | Price Range High | Price Range Low |
| 1949[3] | — | — | — | — | — | — | — | $42,809 | 99.1% | $d175 | $d0.19 | Nil | 26⅞[4] | 20⅛[4] |
| 1948[3] | — | — | — | — | — | — | — | 35,797 | 105.7 | d105 | d0.66 | Nil | — | — |
| 1948 | $15,935 | $28,741 | $16,646 | $89,995 | $61,464 | $42,117 | 65.8% | 83,241 | 101.2 | d1,070 | d0.72 | Nil | 19¼ | 9⅝ |
| 1947 | 8,476 | 21,322 | 14,249 | 79,730 | 59,806 | 42,137 | 75.6 | 69,038 | 107.0 | d3,774 | d2.19 | Nil | 28½ | 15¼ |
| 1946 | 8,505 | 19,475 | 17,382 | 37,984 | 22,109 | — | 84.4 | 64,948 | 96.2 | 1,087 | 0.54 | $0.50 | 54¼ | 19½ |
| 1945 | 26,074 | 34,163 | 17,568 | 26,683 | 13,918 | 8,556 | 93.3 | 39,348 | 80.4 | 4,204 | 2.34 | 0.50 | 62½ | 31⅛ |
| 1944 | 16,599 | 27,487 | 13,129 | 15,492 | 6,896 | 10,503 | 96.0 | 35,630 | 68.0 | 6,115[2] | 3.79[2] | 0.50 | 36½ | 22⅝ |

1—Thousands of dollars. 2—After special reserves. 3—Six months ended June 30. 4—Through 7-29-49. d—Deficit.

# WESTERN AIR LINES




Western Air Lines is essentially a short haul carrier serving 37 cities in the Pacific Coast and Rocky Mountain regions. A 95% owned subsidiary, Inland Air Lines, operates from Great Falls, Montana and Denver, Colorado east to Minneapolis and St. Paul. Over the past two years, the company has abandoned attempts to compete in the transcontinental market and has adopted a policy of looking towards the development of a concentrated western regional system of air transportation.

Since 1946, management has made progress in improving a poor financial position. At the 1946 year-end net working capital showed a $4.6 million deficit. In 1947, the Denver-Los Angeles route was sold for $3,750,000. Two RFC loans were made in 1947-48 totalling $6,421,606. Funds were utilized in payment of substantial obligations outstanding on January 1, 1947 and to purchase 10 new Convair Liners, now in operation. On March 31, 1949 long term debt totalled $3.5 million, current RFC notes payable amounted to $1.5 million; net working capital deficit was $469,000. Proposed sale of 6 DC-4's will further reduce RFC loan. No dividend payments have been made since 1936, and none appear likely for some time.

After the war, large operating losses were reported in 1946 and 1947. In 1948, additional mail pay and a large tax carry-back credit permitted a small net profit. New mail rates were established in late 1948 and mail revenue should increase this year. The new management instituted substantial operating economies and continues to concentrate on cutting costs. Early in 1949 the CAB issued an order of investigation to consider whether it would be in the public interest to revise the company's route structure. A decision seems some time ahead. Over the long term, operations should benefit from the industrial development of the territory served.

## Traffic Statistics

| | 1948 | 1947 | 1938 |
|---|---|---|---|
| Rev. Plane Miles (Millions) | 8.7 | 9.6 | 2.3 |
| Rev. Pass. Miles (Millions) | 136 | 195 | 11 |
| Available Seat Miles (Millions) | 244 | 313 | 26 |
| Rev. Pass. Carried (Thousands) | 354 | 492 | 29 |
| Avg. Pass. Trip (Miles) | 384 | 396 | 367 |
| Mail Ton Miles (Thousands) | 574 | 733 | 232 |
| Exp.-Freight Ton Miles (Thousands) | 1,089 | 912 | 72 |

## Capitalization — March 31, 1949

| | |
|---|---|
| Long Term Debt | $3,490,122 |
| Minority Interest | 24,543 |
| Capital Stock ($1 Par) | 525,164 Shs. |

Capital Stock listed on New York Stock Exchange—Symbol WSX.

| Years Ended Dec. 31 | Balance Sheet Data[1] Cash Items | Current Assets | Current Liabilities | Property Gross | Property Net | Senior Cap.[2] | Load Factor | Income Account Data[1] Total Revenues | Oper. Ratio | Net Income | Per Common Share Earns. | Divs. | Price Range High | Price Range Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949[5] | $903 | $2,673 | $3,142 | $12,359 | $7,852 | $3,515 | — | $2,434 | 105.5% | $d129 | $d0.24 | Nil | 7¾[6] | 5[6] |
| 1948[5] | 1,247 | 2,717 | 2,298 | 9,895 | 6,134 | 3,595 | — | 2,113 | 130.1 | d681 | d1.30 | Nil | — | — |
| 1948 | 1,529 | 4,015 | 4,330 | 12,311 | 8,094 | 3,575 | 55.7% | 10,463 | 99.0 | 135[4] | 0.26[4] | Nil | 10½ | 5⅛ |
| 1947 | 2,137 | 3,534 | 2,124 | 9,823 | 6,292 | 3,820 | 62.4 | 12,376 | 105.4 | d945 | d1.80 | Nil | 10⅛ | 5¾ |
| 1946 | 1,137 | 3,771 | 8,328 | 10,207 | 7,581 | 308 | 70.9 | 12,236 | 107.1 | d599 | d1.14 | Nil | 35 | 7¼ |
| 1945 | 1,408 | 2,535 | 1,771 | 3,210 | 1,631 | 200 | 84.3 | 7,158 | 95.7 | 208 | 0.51 | Nil | 40½ | 15⅛ |
| 1944 | 399 | 1,828 | 1,146 | 2,133 | 1,093 | 57 | 86.3 | 4,258 | 94.5 | 136[3] | 0.33[3] | Nil | 17¾ | 7¼ |

1—Thousands of dollars. 2—Includes minority interest. 3—after reserves. 4—After sizable tax credits. 5—Three months ended. Mar. 31. 6—Through 7-29-49. d—Deficit.

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The data in this book have been obtained from reports of the companies to their respective stockholders and from various statistical services and other sources which we believe reliable, but without further verification or investigation by us. This information is not intended to and should not be relied upon as comprising a complete report or analysis. Neither the facts herein presented nor the opinions herein expressed constitute representations by us. We deal, as principals or agents, in the securities mentioned herein.

The following disclosures are made in accordance with the policy of the firm, so that customers may judge for themselves the possibility and extent of bias on our part in the presentation of data in this survey. Such disclosures are not intended to influence the decision of customers to purchase or sell any of the securities mentioned.

The Firm of Merrill Lynch, Pierce, Fenner & Beane for its own account and/or its general partners on August 1, 1949, had the following direct and indirect beneficial interest† in securities of the companies referred to below:

SMALL INTEREST: American Airlines, American Overseas Airlines, Braniff Airways, Continental Air Lines, Delta Air Lines, Eastern Air Lines, National Airlines, Pan American Airways, Transcontinental & Western Air, United Air Lines, and Western Air Lines.

† An interest in a company having a market value of less than $50,000 is denominated "small"; between $50,000 and $100,000, "substantial"; over $100,000, "large".

# MERRILL LYNCH, PIERCE, FENNER & BEANE

**Underwriters and Distributors of Investment Securities**
**Brokers in Securities and Commodities**

**70 PINE STREET, NEW YORK 5, N. Y.**

## OFFICES

| STATE AND CITY | STREET ADDRESS | TELEPHONE NO. |
|---|---|---|
| **Alabama** | | |
| Birmingham 3 | Comer Bldg. | 3-9181 |
| Mobile 13 | First National Bank Annex | 2-1745 |
| Montgomery 4 | 20 Commerce Street | 3-4761 |
| **Arizona** | | |
| Phoenix | Bank of Douglas Bldg. | Phoenix 4-8837 |
| **Arkansas** | | |
| Hot Springs | Arlington Arcade | 3296 |
| Little Rock | 400 Louisiana Street | 5-8131 |
| Pine Bluff | 301 West Second Avenue | 5560 |
| **California** | | |
| Beverly Hills | 454 N. Camden Drive | Crestview 5-6186 |
| Hollywood 28 | 6361 Hollywood Blvd. | Hillside 0111 |
| *La Jolla | 1028 Wall Street | Glencove 5-7176 |
| Los Angeles 14 | 523 West 6th Street | Mutual 4331 |
| Los Angeles 24 | 10872 Weyburn Ave. (Westwood) | Arizona 3-0925 |
| Oakland 12 | 1319 Franklin Street | Twin Oaks 3-1591 |
| Pasadena 1 | 575 East Green Street | Sycamore 6-0211 |
| San Diego 1 | 910 San Diego Trst. & Savgs. Bldg. | Main 0143 |
| San Francisco 4 | 301 Montgomery Street | Exbrook 2-2311 |
| **Colorado** | | |
| Denver 2 | First National Bank Bldg. | Keystone 8281 |
| **Connecticut** | | |
| Stamford | 80-82 West Park Place | 4-7355 |
| **Cuba** | | |
| Havana | Royal Bank of Canada Bldg. | A 7214 |
| **District of Columbia** | | |
| Washington 5 | 815 Fifteenth St., N. W. | Executive 2121 |
| **Florida** | | |
| Jacksonville 2 | 116 West Forsyth Street | 5-5020 |
| Miami 32 | 169 East Flagler Street | 3-6631 |
| Miami Beach 39 | Lincoln Bldg. | 5-7411 |
| Orlando | 100 E. Robinson Ave. (Johnson Bldg.) | 2-4481 |
| Palm Beach | County Road and Royal Palm Way | 2-1621 |
| St. Petersburg 5 | 568 Central Avenue | 7-5111 |
| **Georgia** | | |
| Atlanta 3 | 23 North Pryor Street | Walnut 1090 |
| Augusta | 125 Eighth Street | 2-7341 |
| Columbus | 101 Twelfth Street | 2-3365 |
| Macon | Dempsey Hotel | 5256 |
| Savannah | 32 Drayton Street | 3-1134 |
| **Idaho** | | |
| *Idaho Falls | 416 B Street | 497 |
| *Pocatello | 234 West Bonneville | 3752 |
| **Illinois** | | |
| Chicago 4 | Board of Trade Bldg. | Wabash 2-8950 |
| **Indiana** | | |
| Fort Wayne 2 | Fort Wayne Bank Bldg. | Eastbrook 4581 |
| Indianapolis 4 | Circle Tower Bldg. | Market 6591 |
| **Iowa** | | |
| Davenport | 215 Union Arcade | 2-7141 |
| Des Moines 9 | 808—10 West Locust St. | 2-8151 |
| **Kentucky** | | |
| Lexington 9 | Lafayette Hotel Bldg. | 7100 |
| Louisville 2 | 231 South Fifth Street | Jackson 1103 |
| **Louisiana** | | |
| Monroe | Hotel Frances Bldg. | 441 |
| New Orleans 12 | 818 Gravier Street | Raymond 0441 |
| Shreveport 23 | 608 Edwards Street | 3-7171 |
| **Maryland** | | |
| Baltimore 3 | Equitable Bldg. | Mulberry 3200 |
| **Massachusetts** | | |
| Boston 9 | 10 Post Office Square | Hubbard 2-5700 |
| **Mexico** (Correspondent) | | |
| Mexico City | Creditó Bursatil, S.A. | 18-65-81 |
| | 51 Avenida Isabel la Católica | 35-66-00 |
| **Michigan** | | |
| Detroit 26 | Buhl Bldg., Griswold & Congress Sts. | Woodward 3-4670 |
| Grand Rapids 2 | Michigan Trust Co. Bldg. | Glendale 6-5361 |
| Lansing 16 | 121 W. Michigan Ave. | Lansing 2-1553 |
| Saginaw | Second Nat'l Bank Bldg. | 2-2121 |
| **Minnesota** | | |
| Minneapolis 2 | 240 Rand Tower | Main 6401 |
| St. Paul 1 | First National Bank Bldg. | Garfield 4954 |
| **Mississippi** | | |
| Jackson 11 | Standard Life Bldg. | 5-4726 |
| **Missouri** | | |
| Kansas City 6 | 1003 Walnut Street | Victor 1900 |
| St. Louis 1 | 511 Locust Street | Main 6330 |
| **New Jersey** | | |
| Newark 2 | 744 Broad Street | Market 3-8300 |
| Trenton 8 | 114 West State Street | Trenton 5-6134 |
| **New York** | | |
| Albany 1 | 90 State Street | 3-4411 |
| Buffalo 2 | Liberty Bank Bldg. | Cleveland 1870 |
| New York 5 | 70 Pine Street | Whitehall 4-1212 |
| New York 19 | 730 Fifth Avenue | Judson 6-1122 |
| Poughkeepsie | 39 Market Street | 600 |
| **North Carolina** | | |
| Asheville | 22 Battery Park Avenue | 3-5371 |
| Charlotte 2 | Liberty Life Bldg. | 4-0801 |
| Greensboro | 107 W. Gaston Street | 8141 |
| Raleigh | 302 South Salisbury Street | 2-3731 |
| Wilson | 113 East Nash Street | 3161 |
| Winston-Salem 3 | 108 R. J. Reynolds Bldg. | 8131 |
| **Ohio** | | |
| Akron 8 | 9 First National Tower | Blackstone 5131 |
| Canton 2 | St. Francis Hotel Bldg. | Canton 4-5161 |
| Cincinnati 2 | 217 Dixie Terminal Bldg. | Dunbar 3950 |
| Cleveland 14 | 216 Superior Avenue N. E. | Main 7500 |
| Columbus 15 | 8 East Broad Street | Adams 2105 |
| Zanesville | Masonic Temple Bldg. | Main 657 |
| **Oklahoma** | | |
| Oklahoma City 2 | 102 First National Bldg. | 7-7611 |
| Tulsa 1 | Kennedy Bldg. | 4-7151 |
| **Oregon** | | |
| Portland 4 | 504 Wilcox Bldg. | Atwater 4351 |
| **Pennsylvania** | | |
| *Allentown | 311 Commonwealth Bldg. | 3-2712 |
| Lebanon | Samler Bldg. | 2105 |
| Philadelphia 2 | 1422 Chestnut Street | Rittenhouse 6-4400 |
| Pittsburgh 22 | Henry W. Oliver Bldg. | Express 0250 |
| *West Chester | 34 West Market Street | 3001 |
| Williamsport 3 | 350 William St. | 2-4651 |
| York | 100 E. Market Street | 2883 |
| **Rhode Island** | | |
| Providence 3 | 707 Industrial Trust Bldg. | Gaspee 1-3700 |
| **South Carolina** | | |
| Columbia 7 | Liberty Life Bldg. | 2-3304 |
| **Tennessee** | | |
| Memphis 3 | 14 S. Second Street | 8-0221 |
| Nashville 3 | 306 Union Street | 6-8185 |
| **Texas** | | |
| Amarillo | Amarillo Bldg. | 4303 |
| Austin | Nash Bldg. | 2-5461 |
| Beaumont | Edson Hotel | 4-2696 |
| Corpus Christi | Driscoll Hotel | 9391 |
| Dallas 1 | 200 First Nat'l Bank Bldg. | Riverside 5361 |
| Fort Worth 2 | 306 West 7th Street | 2-7131 |
| Galveston | American Nat'l Insurance Co. Bldg. | 8881 |
| Houston 2 | Gulf Bldg. | Atwood 5231 |
| San Antonio 5 | 319 North St. Marys Street | Fannin 2271 |
| Waco | 111 South Fourth Street | 714 |
| Wichita Falls | City National Bank Bldg. | 2-0707 |
| **Utah** | | |
| Salt Lake City 1 | 23 East Second South St. | 5-4678<br>4-7851 |
| **Washington** | | |
| Seattle 1 | 1411 Fourth Avenue | Seneca 1122 |
| Spokane 8 | 425 Riverside Avenue | Main 2201 |
| Tacoma 2 | Washington Bldg. | Broadway 2221 |
| **Wisconsin** | | |
| Milwaukee 2 | 710 N. Water Street | Marquette 8-3778 |

*Sales headquarters.

Litho'd in U.S.A. August 1949