



AMERICAN AIRLINES

CABLE ADDRESS AMAIR

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May 31, 1949

To the Stockholders:

A comparison of results for the first four months of 1949 and 1948 is given with this report; the improvement in trend and position has been substantial.

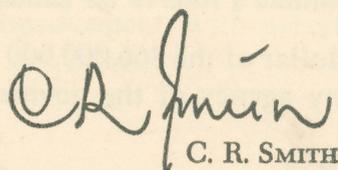
The line is now fully equipped with modern aircraft; fifty DC-6 and seventy-five Convair planes. The DC-3 airplanes have not only been retired but all of them have been sold. Fourteen DC-4 airplanes are engaged in air cargo service, three additional DC-4 airplanes are reserved for future addition to that fleet, and twelve DC-4 aircraft are to be disposed of. Sixteen DC-4 airplanes have been sold during the past five months and it is anticipated that those remaining to be sold will be disposed of during the summer of this year. In total, the amount so far received for sale of airplanes has exceeded the book value.

The unaudited results for the first four months of 1949 show revenues of \$30,618,000 compared with \$21,252,000 for the same period in the previous year. The profit for the 1949 period amounted to \$839,466 compared with a loss in the 1948 period of \$4,682,509. Revenues increased 44.1% while expenses increased 15.2%. There was no provision for federal income taxes for the first four months of 1949 because of the carry-forward of the 1948 loss.

The efficient new aircraft, control of costs and increase of revenue has permitted the better figures of 1949. For the first four months of 1949, American was 37% ahead of 1948 in total passenger miles sold.

American has maintained a remarkable safety record. The company has established a new record by flying over *four and a half billion* passenger miles without a passenger fatality and again this year received the National Safety Council Award.

In evaluating prospects for the future, it should be realized that the index for air travel in 1949 has been moving against the trend of general economic indices. Total first class travel declined during the first four months, while total air travel increased during the same period. Air transportation still has many attributes of a "growth" industry, and that may partially account for the vigor of the business when compared with other forms of transportation and other business trends.


C. R. SMITH



What Air Mail Subsidy?

A common misconception is that all of the airlines are supported by government subsidy. Let's discuss this:

American Airlines is paid for the transportation of mail at rates established by order of the Civil Aeronautics Board. The rate at which American is being paid was certified by the Board to be "fair and reasonable in terms of quality of service and was not designed to meet the financial needs of the carrier." That rate includes no subsidy.

The United States Post Office Department is American Airlines' largest customer in dollar volume, and we continue to give it the best of service.

It should be remembered also that we transport passengers, express and freight. In 1948, our revenue from those sources was \$84,615,000. Our total revenue for the transportation of mail was \$4,769,000.

Of the total revenue of American Airlines in 1948 more than ninety-four per cent (94%) came from the transportation of passengers, express and freight. Less than six per cent (6%) came from the transportation of mail.

If, during 1948, the total revenues received for the transportation of mail, \$4,769,000, had been the only funds available to meet our expenses we would have been able to operate only 19 days during the year. We did operate 365 days.

American Airlines is a business institution. We take pride in the fact that we have been able to make substantial progress and improvement, with private capital usefully employed in the public's service.



AMERICAN AIRLINES INC.

Private Capital in PUBLIC SERVICE

• In the United States air transportation is operated as a private enterprise. In other countries it is conducted by the government. The United States continues to lead, as it always has, in the development and utilization of air transportation. No other country has a comparable standard of airline service. We believe it is to the nation's interest, as well as to our own, to continue to operate under the system that made this possible.

If, however, private enterprise is to retain the spirit and initiative which makes for progress, it must be convinced that its service is useful and that results are largely dependent on its own effort. A result of our effort is:

In three years, 1946, 1947 and 1948, American Airlines, Inc. invested \$60,000,000 in new airplanes and equipment:

This provided business for the aircraft factories and employment for their men, strengthening *their* ability to contribute to national air power.

It provided one hundred twenty-five airplanes of the most modern design—the largest single fleet of modern transport aircraft in the world, and a direct contribution to national air power.

It provided a new 300-mile-an-hour fleet for the air routes of the United States, assuring time-saving, dependability and safety — more comfort for the passenger and greater speed for all forms of travel, transportation and communication.

In the same three years, American Airlines, Inc. invested \$6,000,000 in new and more efficient shop buildings and equipment:

This has provided jobs for trained technicians and modern machinery for their use.

It, thereby, provides an important reserve of skilled personnel available for national air power.

It has provided operating economies which will be reflected in contribution to profitable operation and, ultimately to reduction in charges for air transportation.

It has provided maintenance and overhaul facilities, strategically located, which constitute a reserve for national air power.

Every dollar of the \$66,000,000 came from private investors. None of it was borrowed from any agency of the government nor was any of it government subsidy.



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