

August 7, 1951

To Members of the Board of Directors:

For several months we have been working on a detailed estimate of American's requirement for additional aircraft. A statement of that is attached for your information and consideration.

It is quite evident that we will be short in aircraft capacity during the year of 1952. The seventeen DC6B's which we will receive this year will fall short of meeting our requirement for 1952. An important reason for the shortage is the evident necessity to devote five airplanes to the interchange routings which have been approved by the CAB: National-Delta-American - from Florida and New Orleans to California; Delta-American - from Georgia and New Orleans to California; Continental-American - from Houston and San Antonio to California. The result of these interchange arrangements has been and will be most beneficial to the system of American but they will require aircraft over and above those we planned to devote to that service earlier in the year.

There have been other changes in our requirements. Our business was at a high level during the past year and we expected still further increases. However, the increase in passenger traffic so far this year is in excess of 40% and is greater than we anticipated at the beginning of the year. This has caused us to postpone some of our plans until more equipment is available, such as the substitution of DC6's on certain flights now operated with Convairs where the distance and traffic volume are such that the use of DC6's is more economical, and the inauguration of new schedules exploiting markets not previously fully developed.

Load factors on some flights are too high to maintain over an extended period without some loss of good will and customers. Some schedules are being removed to provide additional planes at Tulsa because a third shift and overtime has proven impractical and costly.

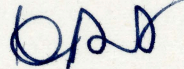
In addition to the five planes for interchange, nearly twenty planes are required for these additional purposes.

There is reason to believe that the present volume of traffic may be maintained.

We have secured an option (confidential, please) for 24 DC6B's and 6 DC6A's to be delivered during the year 1953, making a total of 30 airplanes, or 21 additional airplanes over and above those presently authorized. (The 30 includes the 3 DC6A's (freighters) authorized last year and the 6 authorized at the July meeting.) At the time of working out the options, we cut back the DC6A's from a total of 9 to 6, with the thought that we would retain the DC4 freighters for the short-haul flights. The added DC6B's will provide substantial additional cargo

space not previously counted on. The delivery schedule will be available and will be discussed at the September meeting. It is our intention to ask your approval of a contract for the purchase of thirty aircraft (and spares) during that year, at an anticipated cost of \$37,000,000, including \$10,000,000 which has already been authorized. I believe that funds will be available for payment of the obligations without borrowing or additional financing. That, too, will be discussed in detail at the September meeting.

It is, in our opinion, quite important that this situation be treated as confidential.


C. R. Smith

