

AMERICAN AIRLINES, INC.
100 Park Avenue
New York

February 5, 1951

To Directors and Officers

The results of 1950 were encouraging. We are glad that the year was as good as it was, but already some of the people in Washington are saying that American's mail rates should be reduced -- perhaps retroactively. They have forgotten that we had heavy losses in 1946, 1947 and 1948 and they are looking only at 1950.

Too many people in Washington and elsewhere still think that all mail pay includes subsidy; that all the current profits are made from mail pay.

We have obligation to do a continuing job of educating influential people about our business -- Congress, people in government, business leaders, customers, our own employees.

1. The average return on capital employed in running the business is low, too low. (Average annual earnings for the five years 1946-1950 were \$2,014,000, a return after taxes of only 2.25% on average capital investment of \$90,000,000.)
2. American receives no subsidy for carrying mail. Air mail accounts for only a small fraction of the revenues and profits. The principal part of the profit comes from other traffic -- passenger, express and freight. (For carrying mail in 1950 the Post Office Department paid American almost exactly the same rate per pound and per mile that the company charged for carrying passengers. The amount received for mail, \$6,077,000, was 5.1% of total revenue. American paid back to the government in federal income and profits tax alone \$11,400,000.)

To tell this story we have written personal letters to key people in the government, Congress and others who are interested. The response has been excellent. The Chairman of one important Congressional committee wrote, asking that the letter be sent to all members of his committee.

A copy of the letter is attached. Use it or use the information it contains in whatever way it will do the most good. If the same letter is sent and there be question as to duplication, we will be glad to check your mailing list.

C. W. Jacob



The Honorable _____
The House of Representatives
Washington, D. C.

Dear Mr. _____:

Our Treasurer is engaged in closing up the books of American Airlines, Inc. for the year of 1950. The annual report will be printed and distributed in a couple of months, after the auditors have completed their work. But we would like to tell you now about the operation in 1950, for it will interest you.

American Airlines, Inc. receives no subsidy for the transportation of U. S. mail. In 1950, as in previous years, payments to American for the transportation of U. S. mail were on the basis of "service" rates; rates per pound about the same as charged for passenger transportation.

The principal part of our total revenue, and of our profit, came from passenger, air freight and express service to the public. Mail payments from the Federal Government amounted to only 5.1% of total income for the year.

For 1950 we will pay the Federal Government considerably more than it paid to us. We are glad that is the situation. We received for the transportation of mail about \$6,077,000. We will pay in Federal income and profit taxes, for the same period, about \$11,400,000.

It takes a lot of capital to operate an airline. The capital invested in American is now more than \$100,000,000. For the five years from 1946 through 1950 the average capital investment at work in American Airlines was \$90,000,000.

The return on capital employed in the business is low, too low. Average annual earnings for the five years 1946 through 1950 were \$2,014,000, an average return on net assets, after taxes, of 2.25%.

We had heavy losses in 1946, 1947 and 1948. The years 1949 and 1950 were considerably better, but we will need several more profitable years before the earnings for the period are in keeping with reasonable return on investment.

Airplanes cost us more each year. In 1946 we purchased DC-6 airplanes for \$630,000 each. This year we will be paying \$1,010,000 each for fourteen new DC-6B aircraft. There are comparable increases in other costs of operation.

We are contributing directly to the security of the United States. The airline fleet is the "first reserve" for airlift requirements of the National Defense Department. American Airlines has the largest fleet of modern aircraft in the domestic industry.

The airlines are justifying, by proven performance, your confidence in their utility and ability. It is our belief that these figures will interest you, for they prove that conclusively.

Sincerely yours,