

Future Equipment - Directors' Meeting, August 16

The return of DC-3 airplanes by the Army to the airlines continues to proceed. The statistics on DC-3 (DST) type airplanes are as follows:

Maximum peacetime high	85
Minimum wartime low	43
Present fleet in service	56
Expected fleet in service by November, 1944	73

The above figures are based upon airplanes now on hand or recently committed to us by the Army. The price of these returned airplanes plus overhaul cost has not yet been definitely determined and will probably not be too favorable to the airlines. It is the present recommendation of your management that American Airlines accept DC-3 type airplanes returned or allocated to American Airlines by the Army up to a total of approximately 100 DC-3 type planes.

This figure of 100 airplanes is a very approximate figure and may be raised or lowered depending upon the availability of DC-3 type airplanes and time of availability of four-engined airplanes all of which are contingent upon the progress of the war. DC-3 planes up to the fleet total of 73 as shown above will probably be sold by the Army to the airlines. It is understood that after American Airlines has received a total of 73 airplanes the Army will probably rent airplanes to the airlines rather than sell.

In addition to this phase of the matter your company is now faced with the problem of making prompt decision on modern four-engined equipment. After a review of all equipment immediately

available for delivery in 1945, 1946, and 1947, it is the recommendation of your management that the Douglas DC-4 and Douglas DC-6 (improved DC-4) be selected.

You will recall that your company had on order before the war 30 DC-4 type planes. The basic difference between the DC-4 and the DC-6 is that the DC-6 has approximately 80 miles increased cruising speed (300 vs. 220) with no higher unit ton-mile cost and the DC-6 is a slightly larger airplane accommodating four more passengers in berths -- 26 as against 22 -- and eight more passengers sitting up -- 52 as against 44. The DC-6 is a much better airplane for extremely long-haul and if used on the North Atlantic run westbound would carry approximately twice the payload that the DC-4 will carry. Your management would recommend that we purchase DC-6 type airplanes exclusively if it were not for an important time factor whereby DC-4 airplanes reconverted by Douglas will be available approximately one year earlier than will the DC-6 type planes.

It is possible that at least one airline will have Constellations in operation by the time we can obtain DC-4's.

Mr. William Littlewood, Vice President-Engineering, is now on the West Coast attempting to resolve this picture and make final negotiations subject to approval of the Board.

A study by your management indicates that in 1947 we will probably need 83 four-engined airplanes and others later. This estimate is based on the following figures:

Estimated revenue passenger miles in 1945	1,105,400,000
" " " " " 1946	1,514,800,000
" " " " " 1947	2,210,800,000
" " " " " 1948	2,273,800,000
" " " " " 1949	3,398,000,000
" " " " " 1950	3,807,400,000

These 83 four-engined airplanes will be used as follows:

32 of them will be sleepers operating --

7	round trips	--	Boston-New York-Los Angeles
2	" "	--	Cleveland-Los Angeles
2	" "	--	Chicago-Los Angeles
3	" "	--	New York-Mexico City
2	" "	--	Chicago-Mexico City
2	" "	--	Los Angeles-Mexico City

The remainder of them will be day planes operating on all of American Airlines' routes.

Your management, therefore, recommends and requests authority to proceed with purchase of --

Not to exceed 30 DC-4 type airplanes, and  
30 DC-6 type airplanes, and  
Two options for additional DC-6 type airplanes  
of 30 planes each

The options for DC-6 airplanes or any part thereof will not be exercised without further consultation with and approval by the Board, but your management recommends and does request at this time authority to purchase not more than 30 DC-4 type airplanes and exactly 30 DC-6 type airplanes. Present indications are that new DC-4 type airplanes will cost your company approximately \$450,000 each and DC-6 type airplanes, approximately \$550,000 each.

It is possible that the Army may return C-54 type airplanes to be converted into DC-4's at the company's expense. If this is possible, and can be done faster than buying new airplanes, it may be

to your company's advantage to do so and when C-54's become available on any basis your management will weigh the relative merits of the arrangement carefully so that the company obtains the best arrangement possible.

Your management is asking for approval for the purchase of up to \$30,000,000 worth of four-engined airplanes plus 10% for spares making a total commitment of approximately \$33,000,000.

Your management recognizes that your company does not have at hand at this time that much cash with which to pay for this equipment. It is the opinion of your management that cash in hand plus cash to be acquired under operations until the middle of 1945 will be sufficient to provide all cash necessary for deposits upon the abovementioned airplanes not exceeding 60, and the remaining cash necessary upon the delivery of the airplanes which will be acquired prior to that time.

Your management has previously asked this Board for authority to make commitments for airplanes for which cash was not already in hand at the time of the commitment. There is, therefore, nothing unusual about the similar consideration in this request and your management anticipates no difficulty in financing the amount of the balance of money which may be necessary, either through equipment trust certificates or securities.