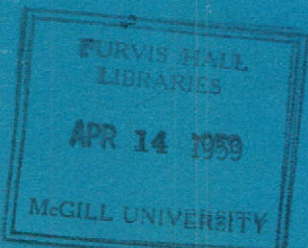




ANNUAL
REPORT
FOR **1958**



Trans-Canada Air Lines



ANTIGUA
BARBADOS
BERMUDA
BOSTON
BRANDON
BRUSSELS
CALGARY
CHICAGO
CLEVELAND
DUSSELDORF
EARLTON
EDMONTON
FORT WILLIAM
FREDERICTON
GANDER
GOOSE BAY
HALIFAX
JAMAICA
LETHBRIDGE
LONDON, ENG.
LONDON, ONT.
MEDICINE HAT
MONCTON
MONTEGO BAY
MONTREAL
NASSAU
NEW YORK
NORTH BAY
OTTAWA
PARIS
PORT OF SPAIN
PRESTWICK
QUEBEC CITY
REGINA
ROUYN
SAGUENAY
SAINT JOHN
ST. JOHN'S
SASKATOON
SAULT STE. MARIE
SEATTLE
SEVEN ISLANDS
SHANNON
STEPHENVILLE
SUDBURY
SWIFT CURRENT
SYDNEY
TAMPA
TIMMINS
TORONTO
VAL D'OR
VANCOUVER
VICTORIA
WINDSOR
WINNIPEG
YARMOUTH
YORKTON
ZURICH





Board of Directors

Appointed by Governor-in-Council:

C. P. EDWARDS, O.B.E., Ottawa

R. A. C. HENRY, C.M.G., Montreal

G. R. MCGREGOR, O.B.E., D.F.C., Montreal

HON. F. M. ROSS, C.M.G., M.C., Vancouver

Elected by the Shareholders:

WILFRID GAGNON, C.B.E., Montreal

DONALD GORDON, C.M.G., LL.D., Montreal

J. A. NORTHEY, Toronto

W. J. PARKER, M.B.E., LL.D., Winnipeg

E. W. BICKLE, Toronto

Officers

President: G. R. MCGREGOR, O.B.E., D.F.C.

Vice-President, Operations: H. W. SEAGRIM

Vice-President, Sales: W. G. WOOD

Comptroller: W. S. HARVEY

General Manager,

Purchases and Stores: H. C. COTTERELL

Secretary: R. H. TARR

General Counsel: H. C. FRIEL, Q.C.

EXECUTIVE OFFICES

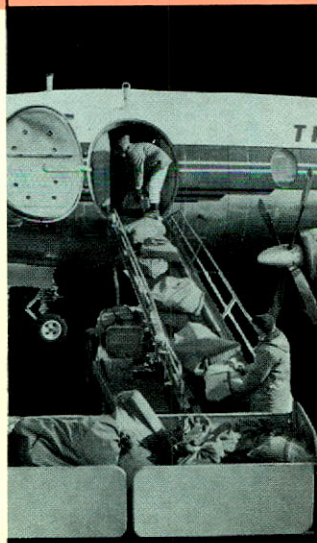
International Aviation Building,
Montreal, Quebec.



The Year in Brief

	1958	1957	% CHANGE
Revenues	\$120,554,769	\$104,995,707	+15%
Net Income	\$ 547,429	\$ 404,674	+35%
Seat Miles Made Available (000's)	2,344,733	1,959,830	+20%
Seat Miles Occupied (000's)	1,625,689	1,385,777	+17%
Ton Miles Made Available (000's)	310,388	273,431	+14%
Ton Miles Used (000's)	185,516	162,577	+14%

In 1958 TCA transported over 10,000,000 ton miles of mail, the bulk of it in Canada where "all up" carriage provides one of the world's most advanced mail delivery systems.



Financial Review

Operating results for 1958 compared with those of 1957 are as follows:

	1958	1957	CHANGE
Income from Operations	\$12,425,035	\$ 8,315,354	\$+4,109,681
Provision for Depreciation	9,911,049	6,819,160	+3,091,889
	<hr/>	<hr/>	<hr/>
	\$ 2,513,986	\$ 1,496,194	\$+1,017,792
Non-Operating Income—Net	529,029	599,299	— 70,270
	<hr/>	<hr/>	<hr/>
Income before Interest Expense	\$ 3,043,015	\$ 2,095,493	\$+ 947,522
Interest on Capital Invested	2,495,586	1,690,819	+ 804,767
	<hr/>	<hr/>	<hr/>
Net Income	\$ 547,429	\$ 404,674	\$+ 142,755
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



Annual Report

MONTREAL, FEBRUARY 18, 1959

TO THE HONOURABLE,
THE MINISTER OF TRANSPORT, OTTAWA.

Sir:

The Board of Directors submit the Annual Report of the Trans-Canada Air Lines system for the calendar year 1958.

Financial

Operations in 1958 resulted in a net income of \$547,429.

Total revenues rose by 15% to \$120,554,769. This rate of growth is typical of recent years. Traffic growth started slowly in 1958 and recovered momentum as the year progressed.

Passenger revenues represented 84% of the total and increased by 17% over 1957. The average rate per passenger mile which the airline received for passenger transportation was similar to that of 1957 when computed on the same mileage basis. Significant fare reductions were offered on the North American Tourist and North Atlantic Economy services, offset by increases in the more expensive North Atlantic classes of service and in transborder fares, the latter occasioned by a rise in United States airlines' tariffs.

The passenger load factor declined from 70.7% to 69.3%. A reduction of this order has a powerful downward influence on net income but was part of the planned service improvement announced three years ago and implicit in the 1958 operating budget.

Mail revenues advanced only slightly to \$9,893,622. The effect on revenue of a 5% increase in volume was diluted by the declining return per ton mile which is a condition of the present TCA air mail contract in Canada. Revenues from air express and air freight approximated the 1957 levels.

Operating expenses totalled \$118,040,783, an increase of 14% over 1957.

The increased proportion of modern aircraft in the fleet contributed to lower fuel and direct maintenance costs relative to the ton miles produced. On the other hand, the price of modernization was paid in higher depreciation charges and in interest on borrowed capital.

Because of the growth in the airline's activity, the average number of employees increased by 5.7%, while the average annual wage rose 7%. As a result, wages and salaries increased 13% to a total of \$50,524,435 in 1958, and this was accompanied by rising

employee benefits. Salaries and wages accounted for 43% of the total operating expenses.

Capital expenditures during the year amounted to \$33,900,000, of which \$31,300,000 represented payments associated with aircraft and spare parts.

Service and Traffic Growth

TCA increased its passenger carrying capacity by 20% in 1958 and provided over two billion available seat miles of transportation. This planned extension of the airline's activity was accomplished by the introduction of additional aircraft, by route innovations, and by many increases in flight frequencies. The enlarged capacity was more than sufficient to accommodate the accurately forecast growth of 17% in passenger traffic.

During the months of greatest public requirement TCA operated eleven daily transcontinental flights in each direction, constituting approximately 650 round trip seats. In accordance with the Company's long-range plans, a third Super Constellation transcontinental flight was introduced, incorporating for the first time, nonstop service between

Edmonton and Toronto. Other new direct services were begun between Calgary and Saskatoon, Toronto and Moncton, and Montreal and Halifax.

TCA, the pioneer user of propeller turbine aircraft in North America, extended Viscount service to twelve more Canadian communities: Sault Ste. Marie, Sudbury, North Bay, Timmins, Earlton, Rouyn-Noranda, Val d'Or, Sydney, Stephenville, St. John's and Gander. Operations to Kapuskasing were discontinued due to the inability of the airport at that point to accommodate the new and larger aircraft. A substitute service was, however, provided by a local carrier.

When, in July, surface transport was temporarily suspended between Vancouver Island and the Mainland, TCA organized an emergency air lift. A total of 350 flights were operated during one five-day period for the carriage of 11,500 passengers.

The Company broadened its international route pattern to include Belgium, Switzerland, and the island of Antigua in the West Indies. Nonstop flights were begun between Montreal and Paris, directly linking the two largest French speaking cities of the world. Of particular interest to Western Canadians was

a new and shorter trans-Atlantic operation between Vancouver and London, with an enroute stop at Winnipeg.

Fifteen weekly flights in each direction, aggregating 1,000 round trip seats, were scheduled across the Atlantic during the period of peak summer traffic.

On January 1st, and in spite of the general rise in the price of goods and services, TCA lowered its domestic Tourist class fares by up to 20%. This action, made possible by the economies associated with the greater traffic volume, came at a time when major airlines in the United States had been granted an interim 6½% fare increase and were seeking more. The average level of TCA fares is now approximately the same as that applying in the United States, even though the cost of airline operations in Canada is substantially higher. In 1958 TCA also extended the Pay Later Plan to its domestic services.

In concert with other international carriers, the Company introduced an Economy class fare for overseas travel. So popular did this low cost service prove, that TCA withdrew all Tourist class seating from its Atlantic aircraft and expanded its Economy class accommodation.

Throughout the year, an aggressive sales effort supported the Company's operations. In 1958 TCA was acknowledged by United States judges the best transportation advertiser in North America, winning in competition with 200 other companies.

A large capacity for the air carriage of freight and express was made available to shippers. TCA operated a scheduled trans-continental air cargo service with North Star freighters, each capable of carrying nine tons of commodities and next-day delivery was offered to points within a 1,500-mile radius and second-day delivery to points beyond. Unfortunately, only a small proportion of the capacity was utilized within Canada, due principally to the comparative scarcity of West to East commodity traffic. Every effort was made, however, to combat this situation by promotional activity and by the introduction of special commodity rates. While the directional traffic imbalance remained severe in 1958, there was some indication of improvement. Trans-Atlantic air cargo traffic was again heavy.

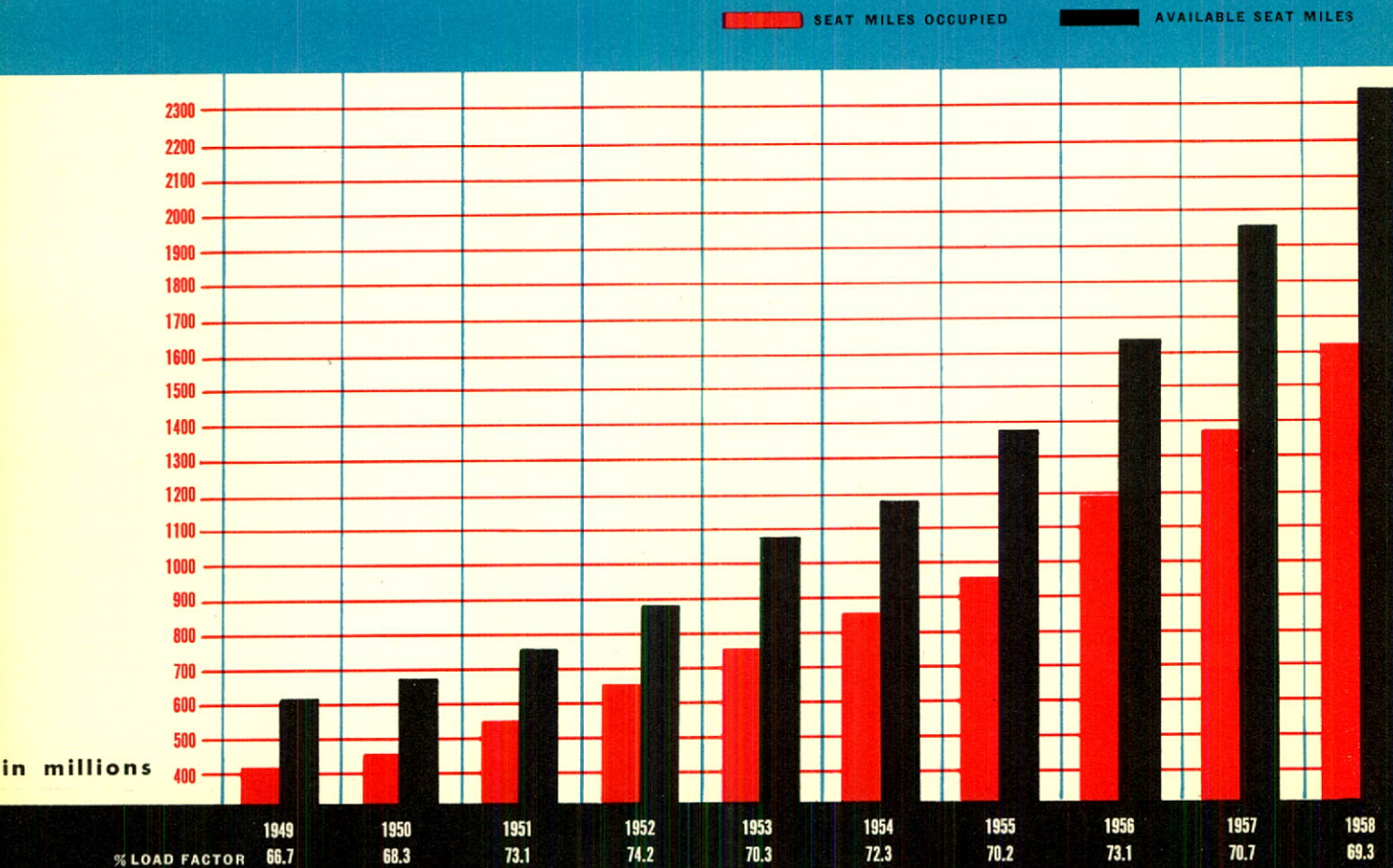
TCA carried First Class mail throughout its domestic routes wherever air transport offered

faster delivery. Close co-operation between the airline and the Post Office Department continued to assure Canadians of one of the world's most advanced mail transportation systems. While aggregate mail revenue rose, there was a further decrease, under the Company's contract, in the unit payment received for the transportation provided. This steady trend of past years is illustrated on page 12.

By the close of 1958, TCA routes, domestic

and international, totalled 31,544 unduplicated miles and service was being provided within Canada and to the United States, the British Isles, France, Belgium, Germany, Switzerland, Bermuda, and the islands of the Caribbean. As a national carrier the airline operated to communities both small and large. Of the 38 Canadian centres served, 25 had a population of less than 100,000 and 11 of these had less than 25,000 population.

SEAT MILES MADE AVAILABLE & SEAT MILES OCCUPIED 1949-1958



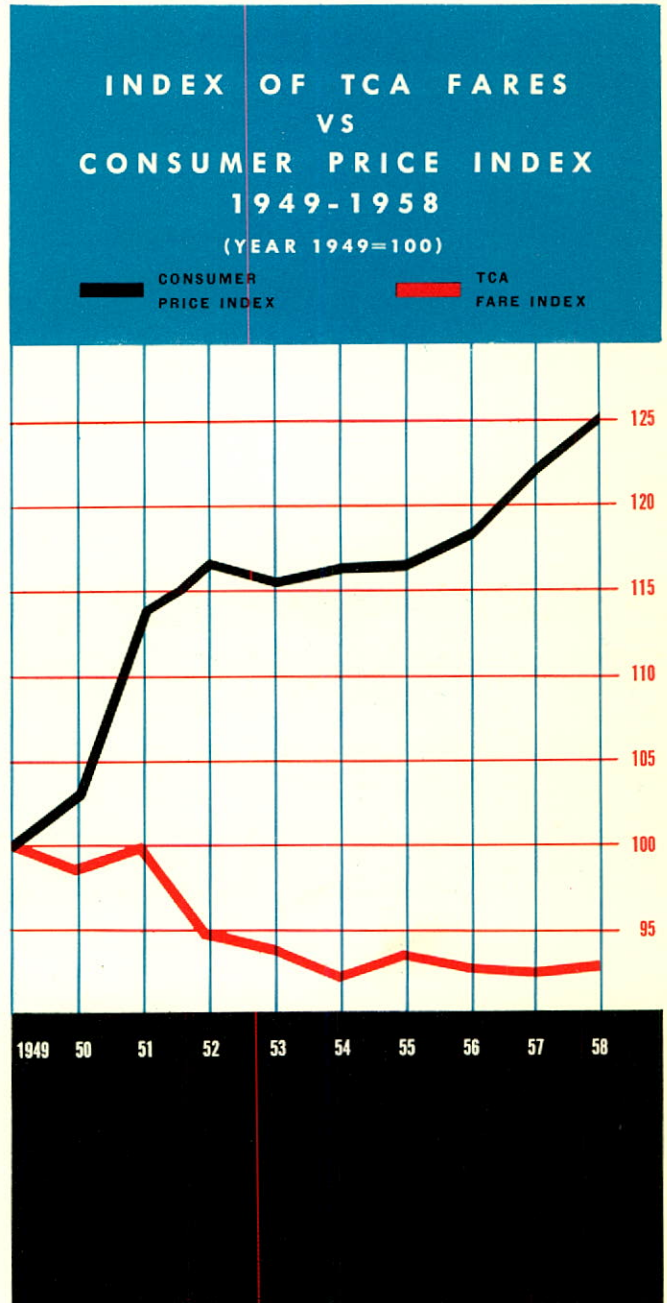
Equipment and Facilities

Another fifteen propeller turbine Viscounts and an additional Super Constellation were put into service in 1958, while nine more DC-3s were retired. At year end, the airline's fleet in service, consisting of 46 Viscounts, 12 Super Constellations, 21 North Stars and 9 DC-3s, was almost entirely four engined and largely turbine powered. Twelve surplus DC-3s were sold, nine of them to a United States operator.

One Viscount was destroyed on the ramp at New York in November when it was struck by an aircraft belonging to another carrier. There were no injuries to passengers.

The installation of weather radar neared completion on the Company's Super Constellations and was more than half finished on the Viscounts at year end. This equipment, by enabling pilots to avoid weather disturbances, assures passengers of smoother, more comfortable flight.

The Company's insistence upon the highest standards of aircraft engineering, maintenance and overhaul was reflected in another year of efficient operations. Of the more than 48,800,000 aircraft miles scheduled, over 97% were operated.



TCA offices, shops and hangars were well staffed, equipped and maintained. Where required by the greater traffic volume and increased scale of operations, facilities were enlarged.

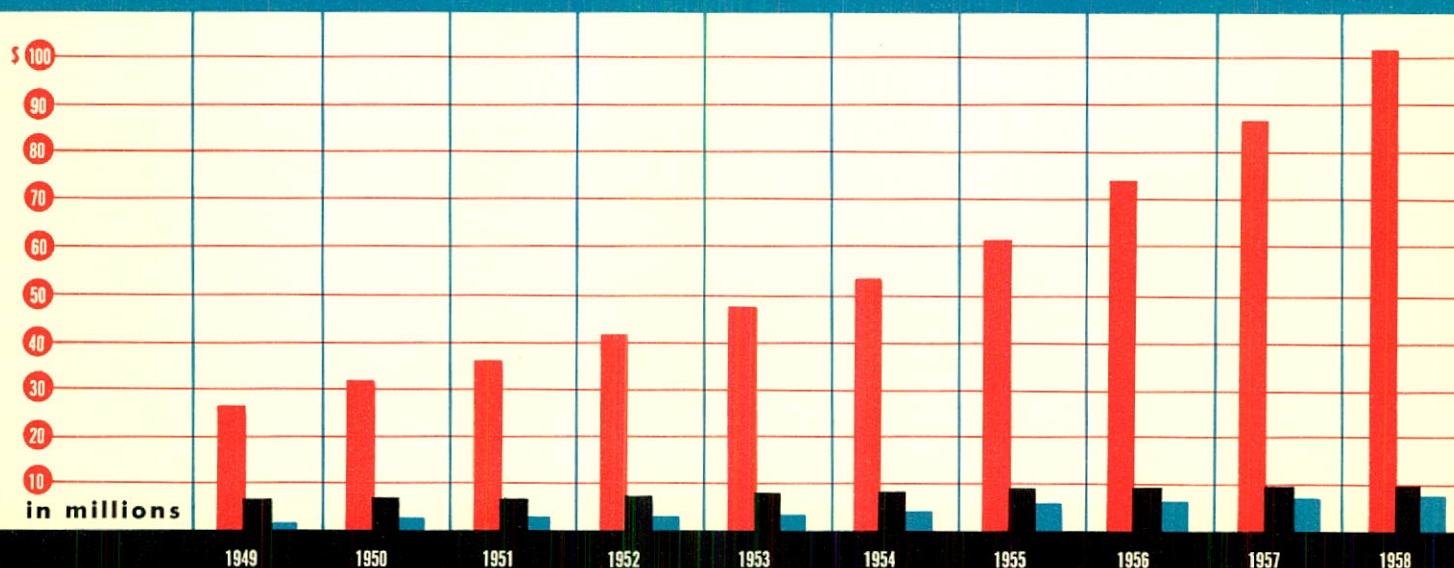
In the latter half of the year work progressed rapidly on the Company's new \$20,000,000 maintenance and overhaul base at Dorval. Designed specifically for the care

of the large turbine powered aircraft, this facility, incorporating hangars, shops and stores area, will be the first of its kind in commercial aviation.

The Department of Transport's extensive airport and airway development program contributed to the general improvement of service to the public. Of particular significance were the provision and planning of new

SOURCES OF  SYSTEM REVENUE 1949-1958

 PASSENGER REVENUE  MAIL REVENUE  COMMODITY REVENUE



airport terminal buildings, runway construction and the installation of advanced navigational aids. As in the past, TCA and the Department co-operated closely to the advantage of air transportation.

Personnel

The airline's staff numbered 10,043 at the end of 1958. To a greater extent than is usual in most industries, these represented skilled specialists and technicians, the great majority with years of air transportation experience.

TCA believes that its working force, in areas of experience and training, is at least the equal of any group in the industry. It is indicative that an increase of 5.7% over 1957 in the average number of employees was accompanied by a rise of 14% in ton miles of available transportation provided.

New staff were carefully selected and Company-wide training programs had, as their objective, efficient and intelligent performance in all airline departments.

TCA continued to enjoy healthy industrial relations with its employees.

It was with the most profound regret that the airline accepted the resignation from its Board of Directors of the Honourable H. J.

Symington, C.M.G., Q.C.. Associated with TCA since its inception, Mr. Symington has been a member of the Board for the past twenty-one years and was President of TCA from 1941 to 1947. No one has contributed more to the organization and development of the Company that will always bear the stamp of his wisdom and personality.

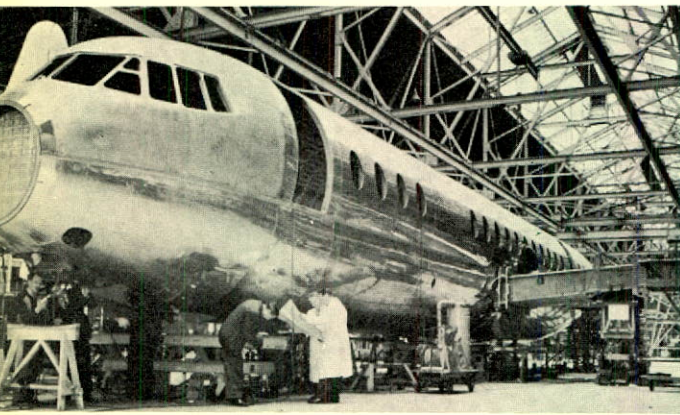
In December, Mr. E. W. Bickle was elected to the Board of Directors.

Planning

The Company anticipates in 1959 a further growth of the popularity of air transportation and will increase its capacity to meet this requirement. As in the past, there will be a continuation of the airline's policy of upgrading flight frequencies and equipment on many of its domestic routes. Internationally TCA will begin flights to Vienna on May 1 and the airline is prepared for other overseas route extensions of value to Canada.

Four more Viscounts and another Super Constellation will be delivered, considerably increasing the airline's transportation capacity.

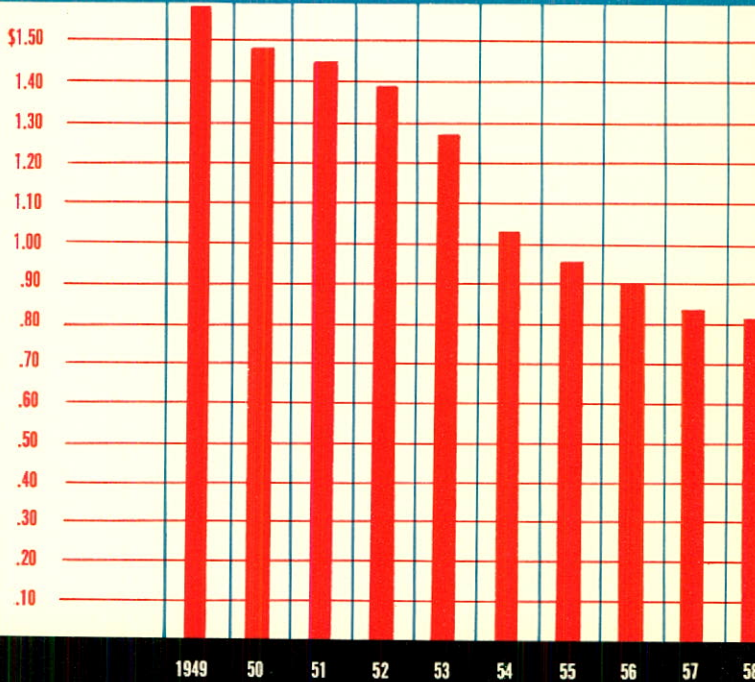
From a broad viewpoint, 1959 will be a period of transition and of intensive prepara-



The Vickers Vanguard, powered with Rolls Royce Tyne turbo-prop engines, will offer massive capacity for both passengers and goods. This 420 m.p.h. aircraft is under construction at Weybridge, England.

tion for the arrival of the large jet aircraft to enter service in 1960. Delivery of the first of the Company's 550 m.p.h. Douglas DC-8s is expected late in the current year. With accommodation for up to 127 passengers, they will cut flying times on the transcontinental and trans-Atlantic services by almost half. Their size, speed and nature of propulsion require major revisions to established airline techniques. The potential of the big jets for public service and for earning ability is immense but so are the problems associated with their introduction and economic operation. The entire airline organization will, in 1959, be completing a seven-year preparation for this major technological change.

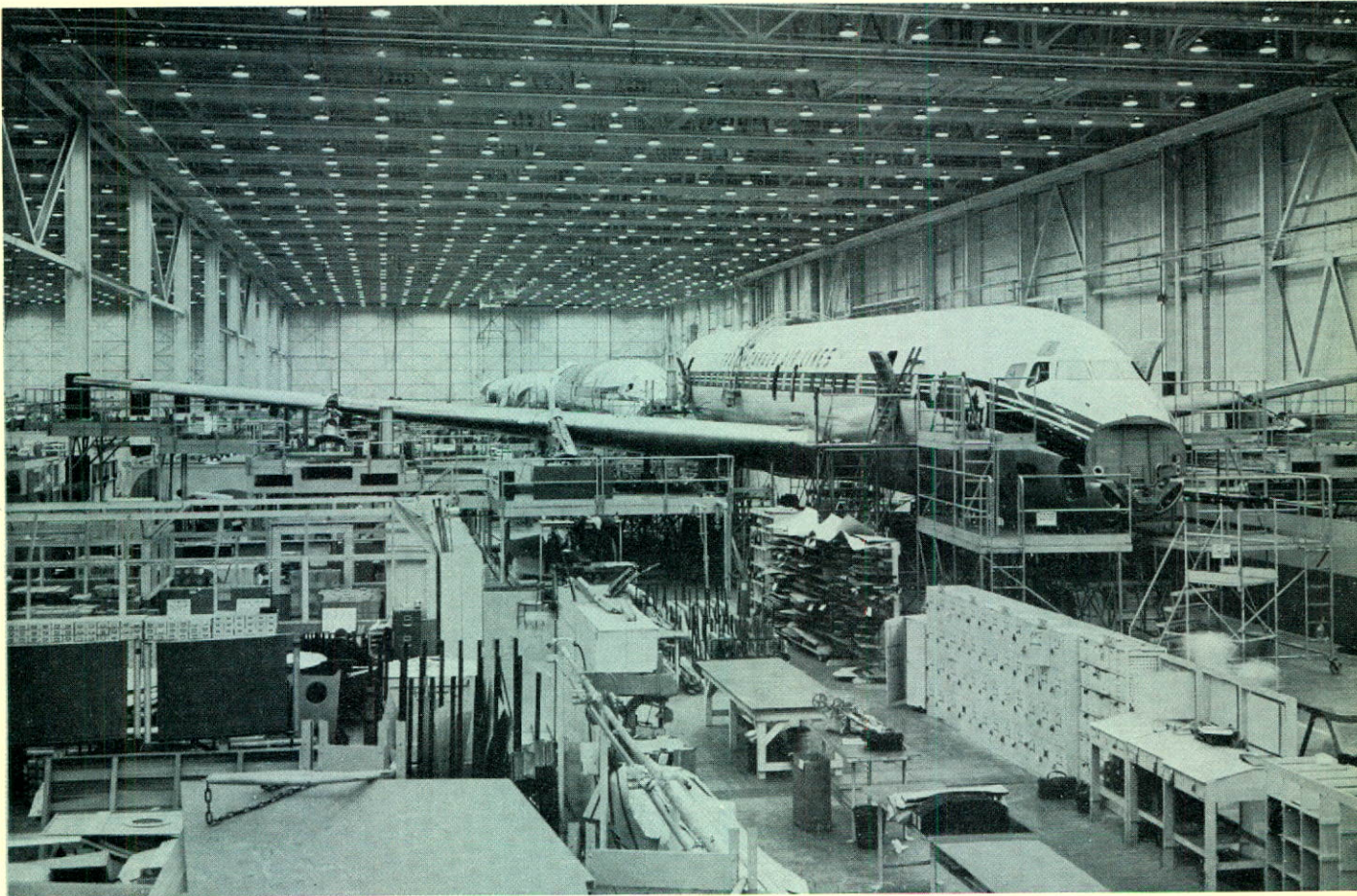
MAIL PAY PER MAIL TON MILE NORTH AMERICAN SERVICE 1949-1958



Also within sight are the Vickers Vikings, 420 m.p.h. propeller turbine aircraft to be delivered in 1960 and to enter Company service in 1961. Seating approximately 100 passengers, they will operate on TCA's high density inter-city and Southern routes. Twenty Vikings are on order and these, com-

bined with the long range DC-8s and the short range Viscounts, will give TCA an all four engine, turbine powered fleet, probably the first in the air transportation industry.

Production of both the DC-8 and Viking was well advanced in 1958 with the former undergoing exhaustive and highly



TCA's Douglas DC-8s, the first of which are now in an advanced stage of production at Long Beach, California, will be equipped with Rolls Royce Conway engines, each capable of producing approximately 17,000 pounds of thrust.



TCA SERVICES —
 CONNECTING SERVICES —

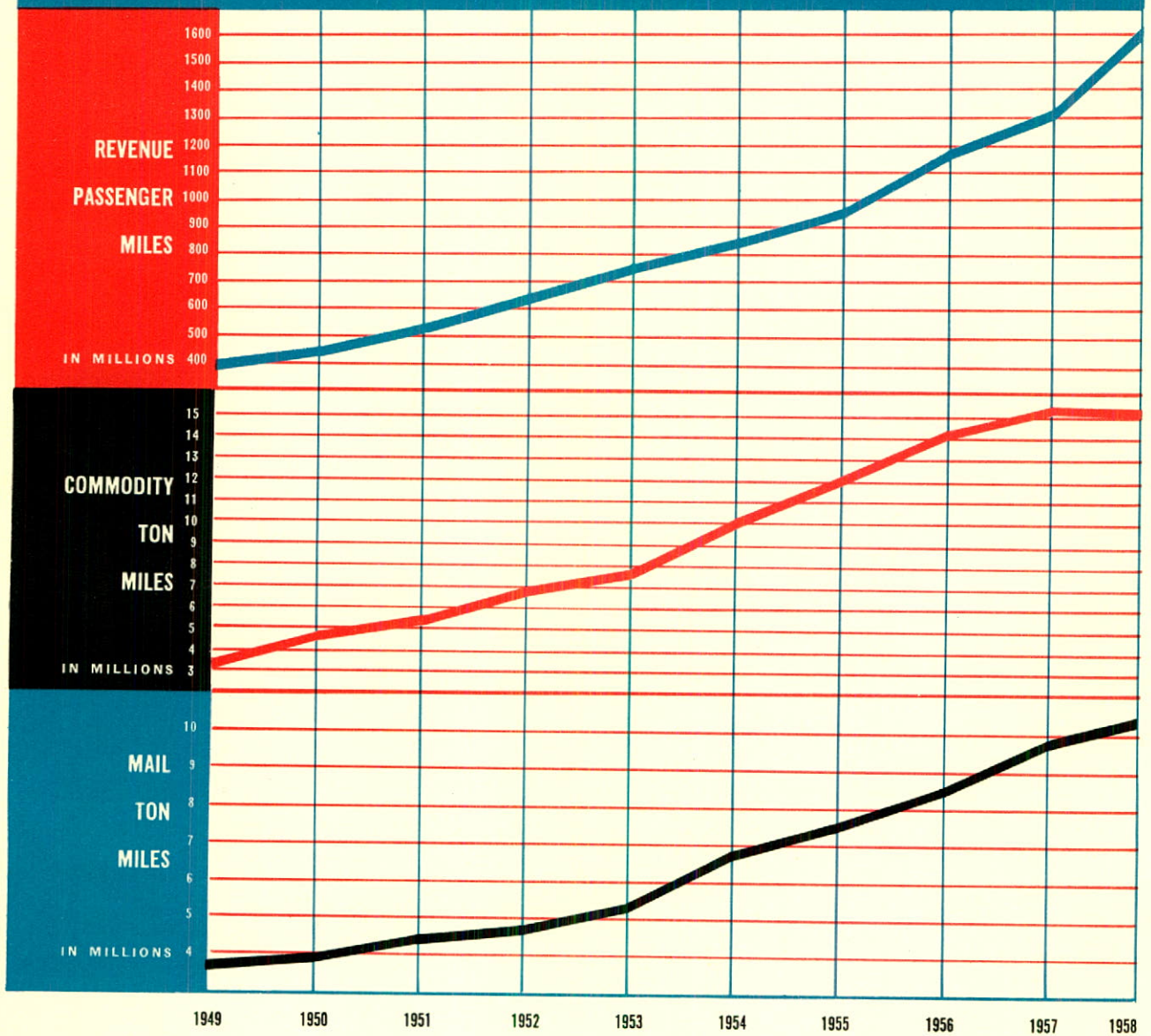
Routes of Trans-



Canada Air Lines



GROWTH OF PASSENGER, COMMODITY & MAIL TRAFFIC 1949-1958



satisfactory flight tests. The Vanguard has since successfully completed its maiden flight.

At the end of 1954, immediately prior to the commencement of the Company's turbine conversion program, the capital cost of the TCA fleet was \$42,000,000. Today, with more than one half of the fleet consisting of turbine aircraft, it is \$102,000,000 and by 1961, with the turbine program completed, it will be \$190,000,000, on the basis of orders already placed.

Work will soon begin at Vancouver on new maintenance and hangar quarters valued at \$5,000,000. These too have been specifically designed for the servicing of turbine powered aircraft.

Final design and testing of an electronic reservations system is nearing completion, but manufacture and installation will not be finished for another two years. There is every expectation that it will fully meet the public requirement for immediate and accurate reservations handling in an era of growing airline traffic and swift turbine flight.

TCA's planning for the new dimensions of air transportation, implicit in the advanced types of aircraft now nearing delivery, is of

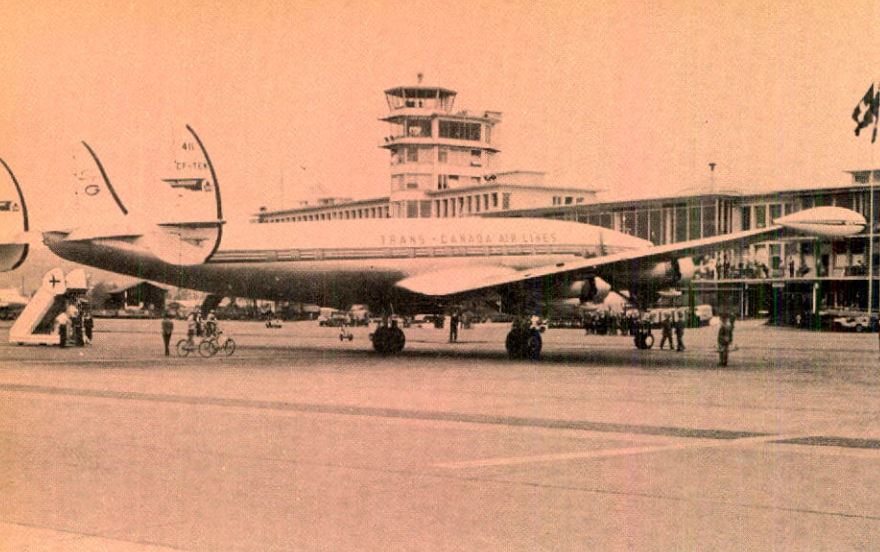
several years duration. The realities of Canadian distances, population distribution, climate and economic life have, from the first, governed the Company's decisions. TCA believes that in a time of revolutionary change in civil aviation, it will be able to offer a standard of domestic and international flight comparable with any in the world.

TCA's work in 1958 and its expectations for the future are both reflections of the skill and dedication of its staff. The Board of Directors take this opportunity to express their appreciation to the Company's personnel at home and abroad.

For the Directors,

A handwritten signature in cursive script, reading "G. R. Mc Gregor". The signature is written in dark ink and is positioned to the right of the text "For the Directors,".

President.



On May 5th, the arrival of a TCA Super Constellation at Zurich signalled the opening of the first direct air service between Canada and Switzerland.

Balance Sheet

Assets

CURRENT ASSETS

Cash		\$1,883,658
Accounts receivable:		
Government of Canada	\$ 1,775,094	
Traffic balances from other air lines	2,407,038	
Air travel plan	2,069,091	
Travel agents	1,010,484	
Other	2,427,223	
		<u>9,688,930</u>
Materials and supplies—latest invoice price		12,422,811
Other current assets		359,717
		<u>\$24,355,116</u>

INSURANCE FUND		6,000,000
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CAPITAL ASSETS

Property and equipment—at cost	\$120,905,680	
Less: Accumulated depreciation	49,869,606	
	<u>\$71,036,074</u>	
Progress payment on purchase of equipment	17,675,212	
		<u>88,711,286</u>
		<u>\$119,066,402</u>

This is the balance sheet referred to in our report to the Minister of Transport dated February 13, 1959

GEORGE A. TOUCHE & Co.
 CHARTERED ACCOUNTANTS
Auditors.



Liabilities

CURRENT LIABILITIES

Accounts payable		\$ 6,882,097
Traffic balances payable to other air lines		3,188,267
Air travel plan deposits		1,647,725
Salaries and wages		1,997,982
Prepaid transportation		3,233,007
Interest payable		1,328,210
		<u>\$18,277,288</u>

LOANS AND DEBENTURES—Canadian National Railways

Notes payable	\$56,600,000	
Debentures	26,500,000	
		<u>83,100,000</u>

INSURANCE RESERVE 6,000,000

CAPITAL STOCK

Common stock—authorized 250,000 shares par value \$100 per share —issued and fully paid, 50,000 shares		5,000,000
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SURPLUS

Balance, January 1, 1958	\$6,471,108	
Net income, year 1958	547,429	
		<u>\$7,018,537</u>
Appropriated for Insurance Reserve	329,423	
		<u>6,689,114</u>
		<u>\$119,066,402</u>

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Balance of payments for equipment and construction under contract	\$106,000,000
Notes under discount with the bank in connection with the Pay Later Plan	1,744,000

Statement of Income



OPERATING REVENUES

	1958	1957
Passenger	\$101,553,258	\$ 86,523,981
Mail	9,893,622	9,662,585
Air Express and Freight	6,536,017	6,392,156
Excess Baggage	977,494	893,968
Charter	490,594	280,155
Incidental Services—Net	1,103,784	1,242,862
Total	<u>\$120,554,769</u>	<u>\$104,995,707</u>

OPERATING EXPENSES

Flying Operations	\$ 26,143,144	\$ 23,837,126
Maintenance	30,500,636	28,721,065
Passenger Service	7,982,693	6,452,870
Aircraft and Traffic Servicing	22,438,282	19,090,650
Sales and Promotion	16,887,670	15,036,818
General and Administrative	4,177,309	3,541,824
Total	<u>\$108,129,734</u>	<u>\$ 96,680,353</u>

INCOME FROM OPERATIONS

Provision for Depreciation	\$ 12,425,035	\$ 8,315,354
Non-Operating Income—Net	9,911,049	6,819,160
	<u>\$ 2,513,986</u>	<u>\$ 1,496,194</u>
Non-Operating Income—Net	529,029	599,299

INCOME BEFORE INTEREST EXPENSE

Interest on Capital Invested	\$ 3,043,015	\$ 2,095,493
	<u>2,495,586</u>	<u>1,690,819</u>

NET INCOME

	<u>\$ 547,429</u>	<u>\$ 404,674</u>
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NOTE:—Consistent with the provisions of the Income Tax Act, the Airline intends to claim capital cost allowance (depreciation) sufficient to offset the taxable income.

Auditors' Report



TO THE HONOURABLE THE MINISTER OF TRANSPORT,
OTTAWA, CANADA.

We have examined the books and accounts of Trans-Canada Air Lines for the year ended December 31st, 1958. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statement of income are properly drawn up so as to give a true and fair view of the state of the Corporation's affairs at December 31st, 1958, and of the results of its operations for the year then ended, according to the best of our information and the explanations given to us, and as shown by the books of the Corporation. In our opinion the statements are prepared on a basis consistent with that of the preceding year.

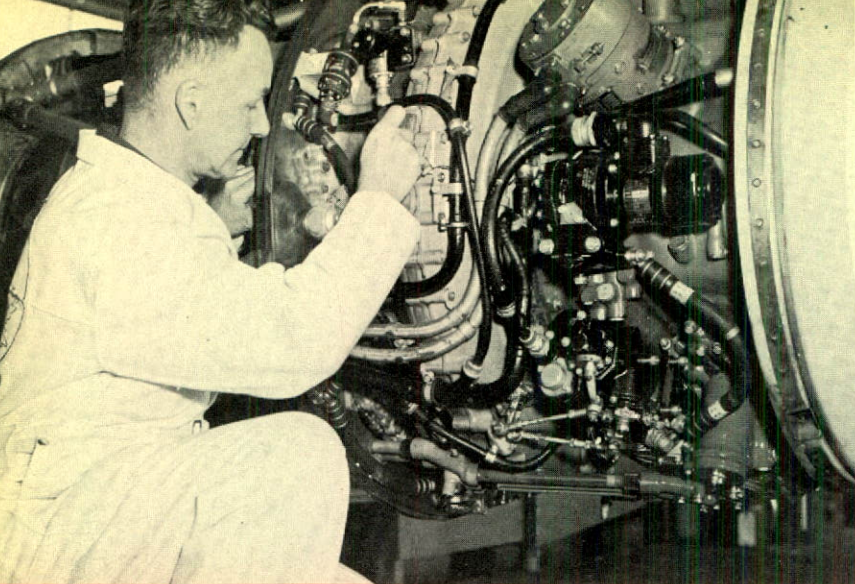
We further report that in our opinion proper books of account have been kept by the Corporation, and the transactions of the Corporation that have come to our notice have been within the powers of the Corporation.

We are also submitting a supplementary explanatory report.

George A. Tomche, C.

February 13th, 1959.

Chartered Accountants.



Over 4,000 skilled technicians keep the fleet in a condition of mechanical excellence that has made possible the airline's enviable record of operating performance.

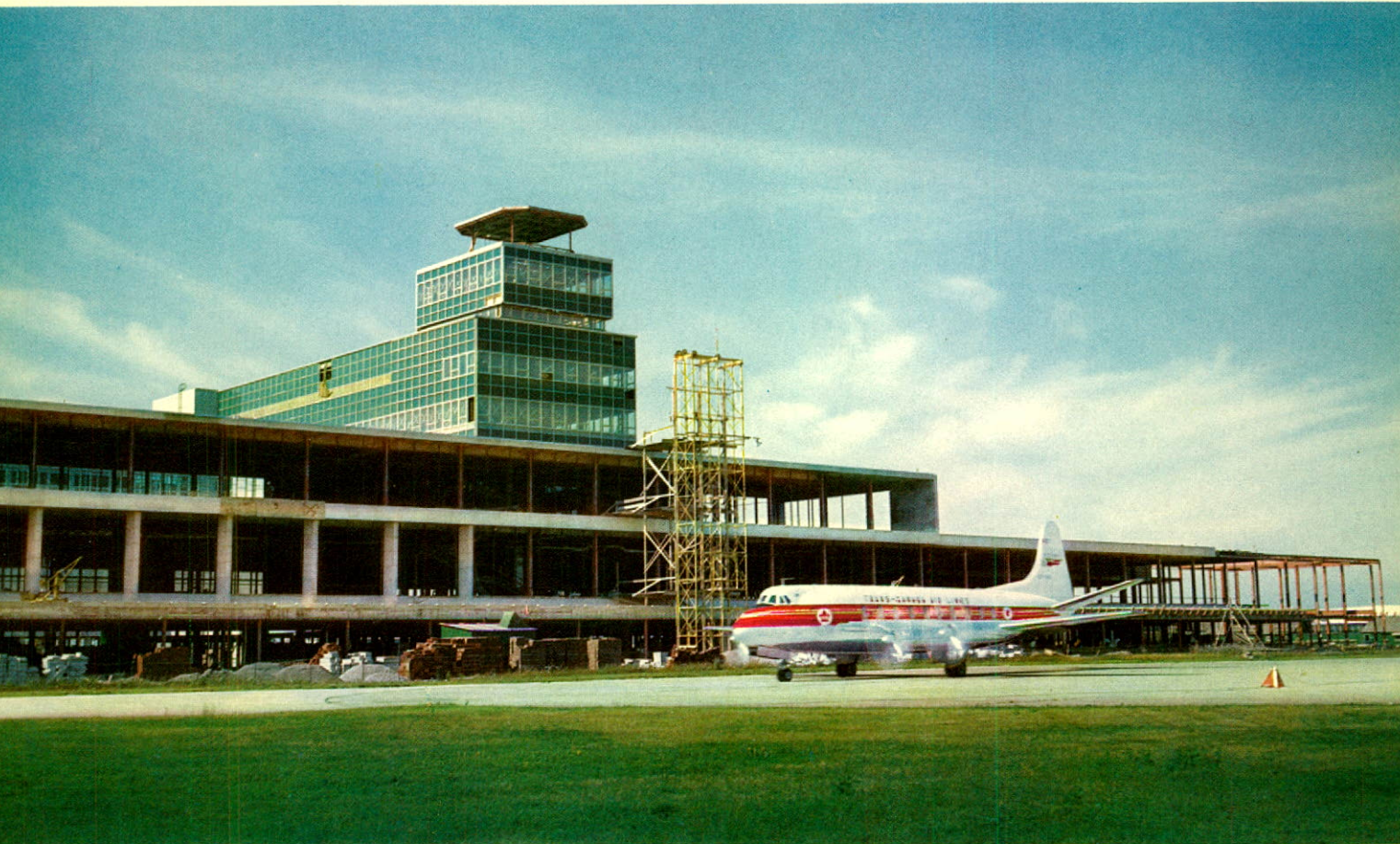
Significant Statistics

	1958	1957	% CHANGE
Revenue Passengers	2,785,523	2,392,713	+16.4%
Seat Miles Made Available (000's)	2,344,733	1,959,830	+19.6%
Seat Miles Occupied (000's)	1,625,689	1,385,777	+17.3%
Revenue Passenger Load Factor	69.3%	70.7%	
Mail Ton Miles (000's)	10,386	9,855	+ 5.4%
Express Ton Miles (000's)	2,469	2,575	- 4.1%
Freight Ton Miles (000's)	12,926	12,903	+ 0.2%
Weight Load Factor	59.8%	59.5%	
Total Aircraft Miles Flown (000's)	51,566	46,667	+10.5%
% Scheduled Miles Completed	97.5%	97.5%	
Average Number of Employees	10,020	9,480	+ 5.7%
Seat Miles Made Available per Employee	234,005	206,733	+13.2%

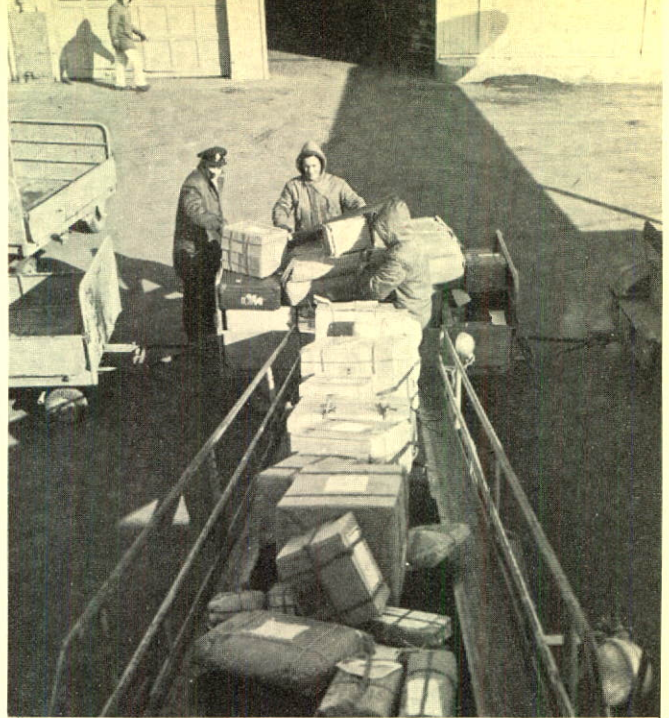
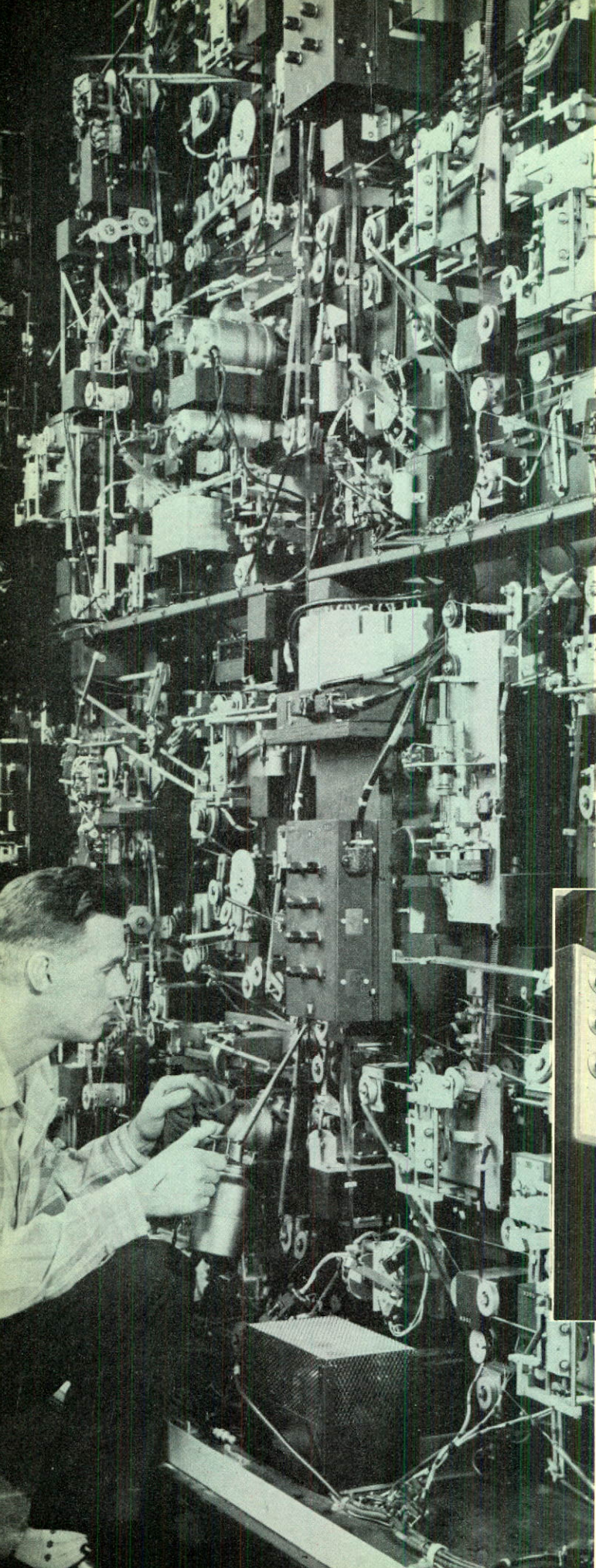




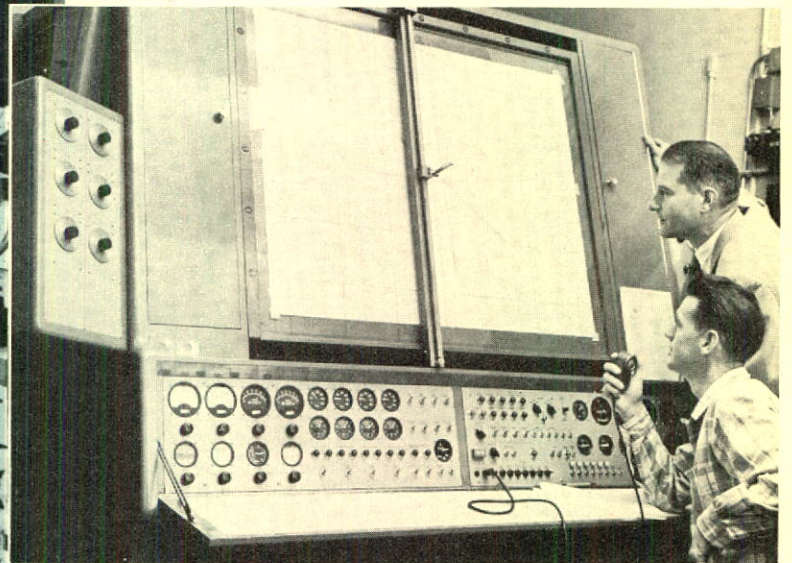
The Airline in Pictures



*Suggestive of the rapidly growing scale of Canadian air transportation
is the new airport terminal building being constructed at
Montreal by the Department of Transport.*



Air freight and air express are given rapid transportation, not only on the transcontinental all-cargo services but also on all TCA's passenger flights, domestic and international.



Aircraft flight simulators, by duplicating on the ground the conditions of actual flight, are a tremendous aid in pilot training. These photographs illustrate the flight computer and the control rack of the Viscount flight simulator at Winnipeg.

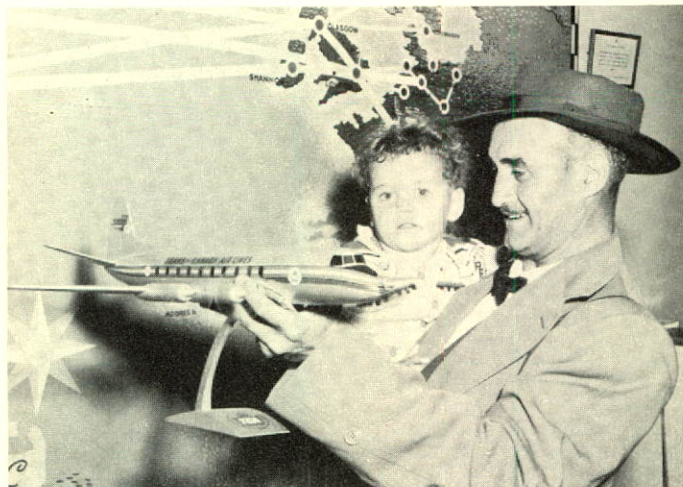
THE AIRLINE IN PICTURES



TCA's Space Control Headquarters at Toronto is the nerve centre of an airline-wide communications network, designed for the rapid handling of reservations requests. An electronic and completely automatic reservations system is in an advanced stage of development. When completed it will provide almost instantaneous answers to space inquiries.



TCA's Family Fare Plan continued to prove a financial boon to large families.



Passengers on a TCA Viscount were Springhill miner Maurice Ruddick and son, Jesse, as they began a holiday trip to Georgia with other rescued miners and their families.



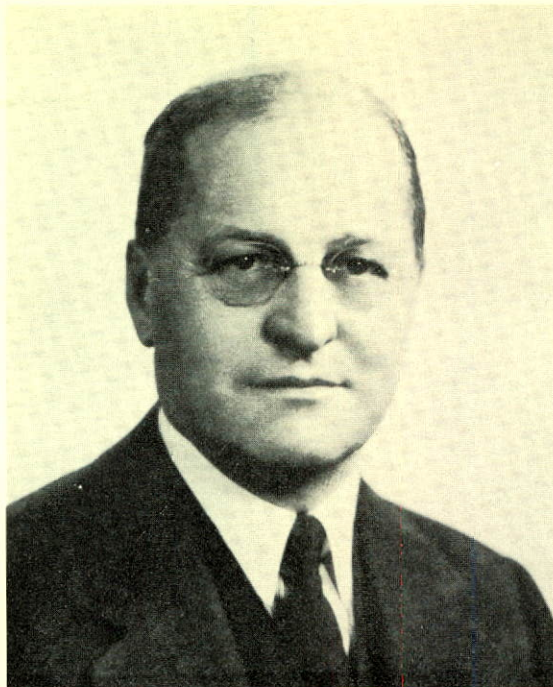
H.R.H. Princess Margaret visited the Canadian pavilion at the Brussels World Fair. TCA was a prominent exhibitor.

The arrival of TCA's first flight at Zurich, was marked by a flag raising ceremony attended by representatives of Canada and Switzerland.





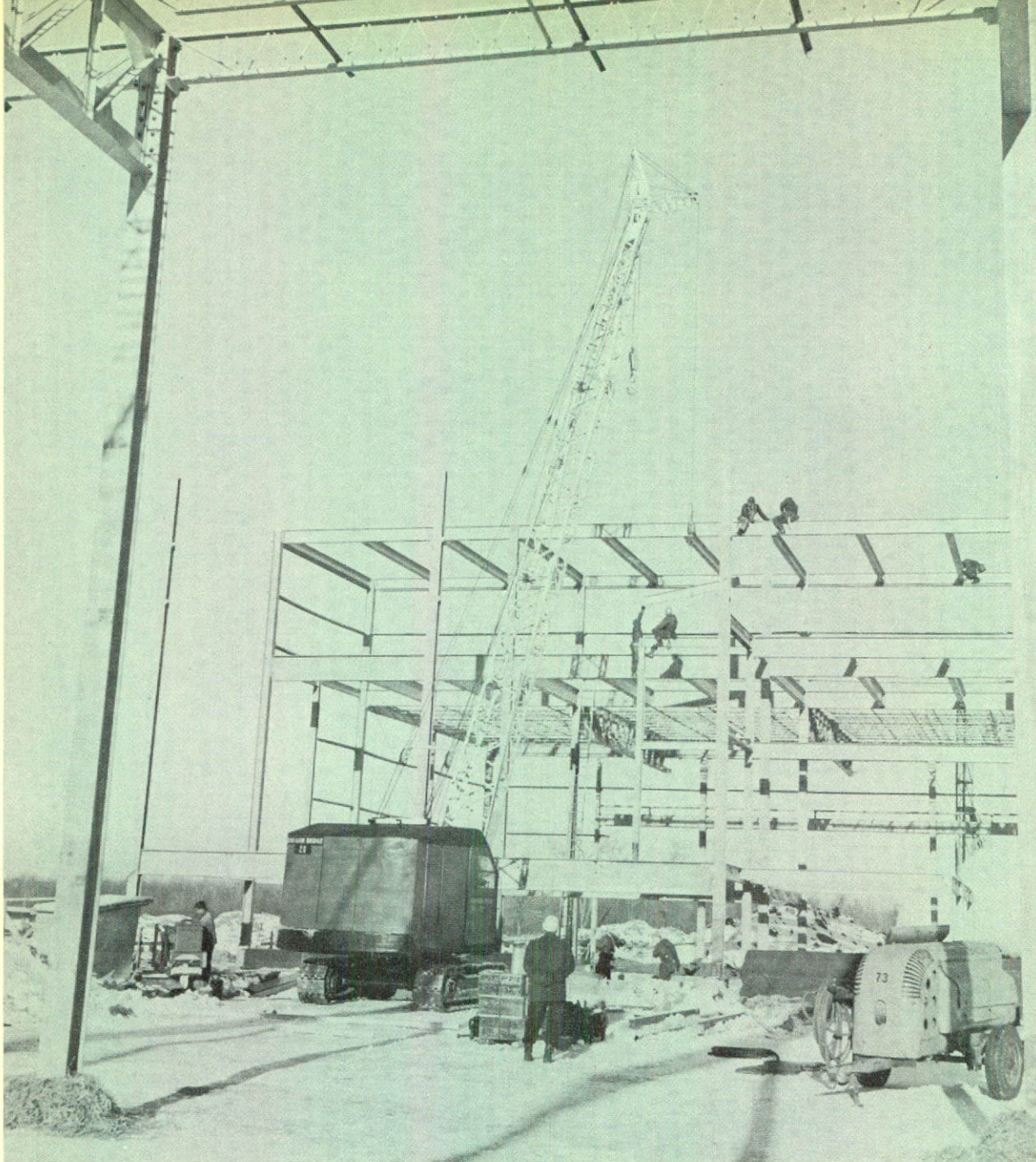
Mr. E. W. Bickle was, in 1958, appointed to the airline's Board of Directors.



The Honourable H. J. Symington, C.M.G., Q.C., one of TCA's founders and its President from 1941 to 1947, retired from the Board of Directors.

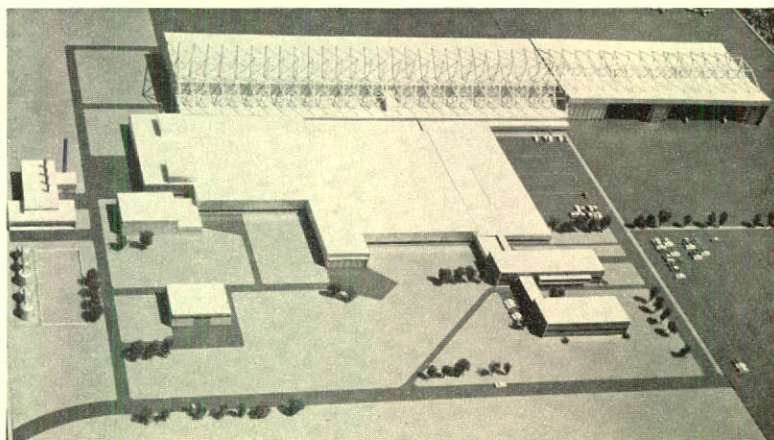
In 1958 TCA carried two and three-quarter million passengers on 31,544 miles of air routes.





During the winter of 1958-59, steel work advanced rapidly on the Company's new \$20,000,000 maintenance and overhaul base at Dorval. The most modern facility of its kind in the air transportation industry, it will care for the large turbine powered aircraft to be delivered to TCA in 1960 and 1961.

A model of the new base as it will appear when completed. It will occupy sixty acres with fifteen acres, alone used to accommodate the two-storey structure. Its 170-foot cantilever roof will be the largest in North America.





THE AIRLINE IN PICTURES



Among the passengers on TCA's inaugural flight to Belgium on April 9th was an R.C.M.P. detachment assigned to duty at the Brussels World Fair. They carried with them a Canadian maple for planting in Belgium's State Botanical Gardens.

