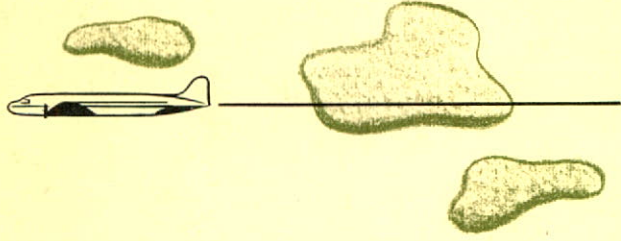


Stacks



**TRANS
CANADA
AIR
LINES**

Annual Report

1948

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A **ANNUAL**
REPORT

OF THE

TRANS-CANADA AIR LINES

FOR THE
YEAR ENDED
DECEMBER 31
1948

BOARD OF DIRECTORS

Elected by Shareholders:

WILFRID GAGNON Director, Canadian National Railways Montreal
J. A. NORTHEY Director, Canadian National Railways Toronto
H. J. SYMINGTON, K.C. Director, Canadian National Railways Montreal
R. C. VAUGHAN President, Canadian National Railways Montreal

Appointed by Governor-in-Council:

C. P. EDWARDS Deputy Minister of Reconstruction and Supply Ottawa
GEORGE HERRING Director of Communications, Post Office Department Ottawa
G. R. MCGREGOR President, Trans-Canada Air Lines Montreal-Winnipeg

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Vice-President, Operations W. F. ENGLISH, Winnipeg
Vice-President, Traffic ANSON C. MCKIM, Montreal

Secretary
W. H. HOBBS
Montreal

Comptroller
T. H. COOPER
Montreal

Treasurer
C. D. COWIE
Montreal

OFFICES:

Operations Headquarters: STEVENSON FIELD, WINNIPEG, MANITOBA
General Traffic Office: MONTREAL AIRPORT, DORVAL, QUEBEC

PREAMBLE

TRANS-CANADA AIR LINES

Montreal, March 10, 1949

To the Right Honourable,
the Minister of Trade and Commerce, Ottawa.

Sir:

The Board of Directors submit the Annual Report of the Trans-Canada Air Lines system for the calendar year 1948.

There was continued development of the nation's air services. TCA made few route extensions within Canada, but began new international operations to the British West Indies and Bermuda. Flight frequency was increased between several cities. Over 2,000,000 more revenue miles were flown in 1948 than in 1947. At home and overseas, the quality of service was improved by the addition of twenty North Star aircraft.

Traffic was the heaviest on record. Nevertheless, Trans-Canada Air Lines, domestic, and Trans-Canada Air Lines (Atlantic) both suffered substantial financial deficits as sharply rising costs offset the highest revenues in the Air Line's history. Added to the increased costs of labour and materials, there were the expenses incident to the introduction of a new four-engined fleet. The greater gross revenue in 1948 was due almost entirely to increase in passenger, mail and cargo traffic and, with the exception of trans-Atlantic passenger fares, not to higher transport charges.

TCA, during the past year, shared economic difficulties that were general throughout the air transport industry and these remain both acute and serious.

The Company's financial position was, however, somewhat stronger than in 1947. The deficit from domestic services was reduced by a third, revenues being increased by 36%, as compared with a 30% rise in expenses. Domestic operating costs per available ton mile of transport fell by 10%. Employees per 10,000 ton miles of saleable transportation on all services declined from 14 in December, 1947, to 9 in December, 1948. With energetic traffic promotion and cost control, it is hoped that these trends will continue.

The same cannot be expected of the new overseas air operations. In inaugurating these, TCA has been required to proceed in the face of expected operational losses. However, the action taken is considered to be justified by the direct and indirect benefits that accrue to the nation as a whole through the existence of such important transport services — benefits that do not appear on the Company's balance sheet.

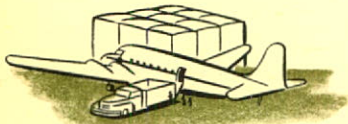
TCA's operations were conducted with efficiency in 1948. As expressions of service rendered to Canadian life the following facts are significant:

TCA'S WORK IN 1948



THE AIRLINE

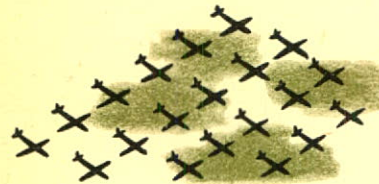
Carried 27% more passengers on all services than in 1947.



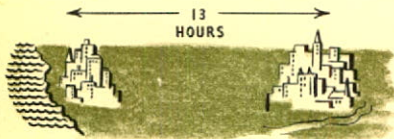
Flew 106% more ton miles of express and air cargo.



Began the first nation-wide transport of unsurcharged first-class mail by air in any American country.



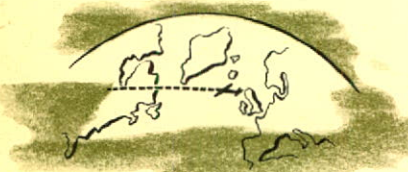
Introduced 20 North Star aircraft, which increased carrying capacity by 60% and established new standards of travel comfort.



Reduced transcontinental flight time between Montreal and Vancouver to 13 hours.



Began air service between Canada and Bermuda and between Canada and the British West Indies.



Brought 6,000 new Canadian citizens from the British Isles and Europe in one of the largest mass movements of immigrants ever undertaken by air.



Carried 9,000 persons and 600,000 pounds of essential cargo across the Rockies in emergency service during the British Columbia flood crisis.



DETAIL

TRANS-CANADA AIR LINES - NORTH AMERICAN SERVICES

Financial Review

	1948	1947	Increase or Decrease	
			Amount	Per Cent
Operating Revenues.....	\$20,866,936	\$15,297,346	\$5,569,590	36
Operating Expenses Excluding Depreciation..	19,249,971	14,845,672	4,404,299	30
Surplus of Revenue Over Operating Expenses				
Before Depreciation and Interest.....	\$ 1,616,965	\$ 451,674		
Depreciation.....	2,374,085	1,950,820	423,265	22
Operating <i>Deficit</i> After Depreciation.....	\$ 757,120	\$ 1,499,146		
Interest on Capital Invested.....	425,902	261,897	164,005	63
<i>Deficit</i>	<u>\$ 1,183,022</u>	<u>\$ 1,761,043</u>	<u>\$ 578,021</u>	<u>33</u>

Operating revenues totalled \$20,866,936, an increase of \$5,569,590 or 36% over the preceding year and testimony to TCA's growing importance in the transportation field. Passenger traffic accounted for \$14,869,578, increasing by \$4,419,054 or 42%. Mail revenue totalled \$4,648,775, an increase of \$840,578 or 22%. Cargo revenues rose by \$314,728 or 70%. Revenues from Sales and Services decreased by \$62,497 or 15%. Other revenues increased by \$57,727 or 35%. Passenger revenue contributed 71% of the total, mail revenue 22% and cargo revenue 4%.

Operating expenses, excluding depreciation, totalled \$19,249,971, an increase of \$4,404,299 or 30% over the previous year. Payroll charges rose by \$1,100,732 in 1948 and higher price levels consumed an additional \$666,831 in the purchase of the Air Line's materials and supplies. Other increases stemmed from the use of a larger fleet with its greater maintenance requirements, gasoline consumption and insurance charges. The cost of selling air transportation rose by \$277,208 as TCA conducted an extensive and successful promotional campaign.

The charge to operations for accrued depreciation on aircraft and other property during the year amounted to \$2,374,085, an increase of \$423,265. Before the charges for depreciation and interest on capital, there was a surplus of revenue over expenses of \$1,616,965.

After depreciation and interest, there was a deficit of \$1,183,022.

This amount was equivalent to 6% of the

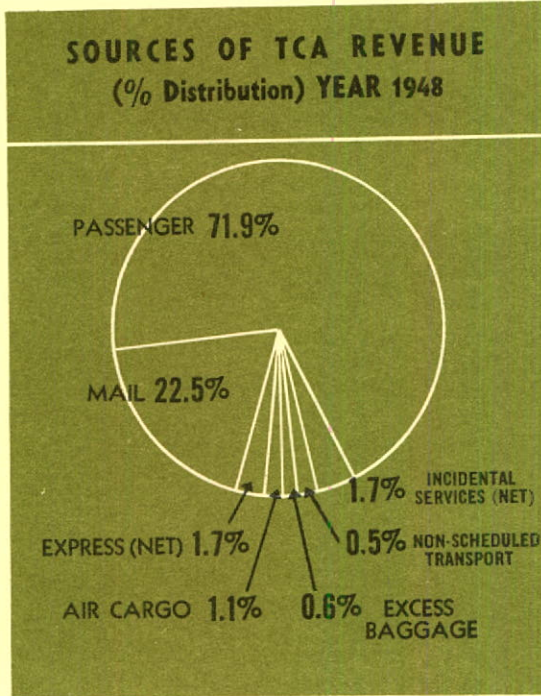
Company's gross revenues, as compared with 12% in 1947.

In 1948, the Company again shared in the paradox of an air transport industry facing a high level of general prosperity, yet incurring financial losses. The air lines, for all their immense capacity for public service, are still comparatively young and particularly vulnerable to economic fluctuations over which they have no control.

Periods of rising wages and prices strike hard at air transport, primarily because the price of its own product is frozen within narrow limits. Unlike surface transport, the air lines, for technological reasons, are basically dependent upon passenger traffic, and must maintain reasonably competitive passenger rates with the surface carriers. The latter, drawing the bulk of their revenues from commodity transport, are under less compulsion to adjust their passenger charges upwards. The air lines are thus caught between rising costs and a relative fixity of rates.

The same dependence upon passenger traffic renders them particularly subject to the wide seasonal variations of business and vacation travel. The duration and severity of the northern winter accentuates this difficulty for Canadian operators, resulting in a peak of about four months of intense activity during the summer season.

These fundamental problems can be solved only by the development of more diversified air line business. TCA, in common with air transport generally, sees at least part of the answer in the growth of air cargo. But this will take time to achieve.



Service Development

The most significant event of the year was the introduction of 40-passenger North Star aircraft to domestic operations. These fast transports not only reduced flight time and increased travel comfort on the main trunk routes, but released the smaller DC-3 aircraft for improved inter-city service.

They were first used between Toronto and New York on May 1, before entering transcontinental service on a twice daily schedule on June 1. North Star operations between Toronto and Chicago also began on the latter date.

It was unfortunate, from an operational standpoint, that these events should have coincided with the demand for emergency transport to meet the flood conditions in British Columbia. The heavy strain placed upon the fleet resulted in numerous flight delays at the very time the new aircraft were making their first public appearance and operational regularity suffered indirectly for almost two months, due to an accumulation of maintenance work.

During the summer months, third North Star schedules were flown between Montreal, Toronto and Winnipeg and between Lethbridge and Vancouver.

Because of airport limitations and the necessity of fully exploiting the longer range of the new aircraft, North Star stops were confined to

Montreal, Toronto, Winnipeg, Calgary and Vancouver on the transcontinental route. Intermediate communities were served by DC-3 aircraft, feeding into those larger cities. Deterioration of the Calgary runways obliged TCA to move its North Star operations to Lethbridge in July, but the mainline returned to the former city in December.

A new and larger pattern of air services took shape on the Prairies. Brandon and Yorkton were added to the TCA network on June 1, while Lethbridge, Edmonton, Saskatoon, Regina, Medicine Hat and Swift Current were linked by DC-3 flights to the mainline North Star route.

A second daily DC-3 flight was added between Toronto, Sault Ste. Marie, the Lakehead and Winnipeg.

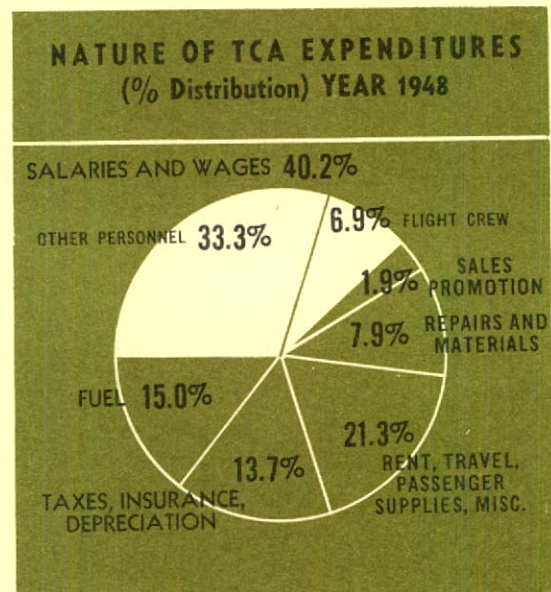
Flight frequency was doubled on the Northern Ontario service between Toronto, North Bay, Porquis Junction and Kapuskasing.

In the Maritime provinces, direct operations began between Sydney, Moncton and Saint John.

Because of inadequate traffic, Lakehead-Duluth flights were suspended on October 1.

In 1948, TCA made available 48,528,469 ton miles of air transport on its scheduled domestic services, an increase of 45% from 1947, resulting principally from the use of larger aircraft. Of this potential, 57.8% was employed, as compared with 58.5% in the previous year.

As TCA's North American operations most





closely resemble those of the United States airlines, a table of comparative statistics involving sixteen major representatives of the latter, is included for information as an exhibit in this Report.

Passenger Traffic

The additional comfort and speed of the North Star aircraft, together with an intensified sales campaign, attracted travellers to the Air Line in record numbers.

A total of 532,555 revenue passengers were carried on North American routes, an increase of 104,588 or 24% from the 427,967 of 1947. During the same period, air line passenger travel in the United States declined by about 4%. In the past five years, the volume of TCA's passenger traffic has grown by 280%. On December 21, TCA carried its two millionth passenger since service began in 1937.

In 1948, the Air Line flew 249,575,544 revenue passenger miles, as compared with 179,808,562 in 1947—an increase of 39%. Utilization of available seat miles rose to 68% from the previous year's 62%. The average passenger load per revenue mile increased from 12 to 16 persons, reflecting both the larger aircraft and the greater demand for air transport. The average passenger flew 469 miles in 1948— 49 more than in 1947.

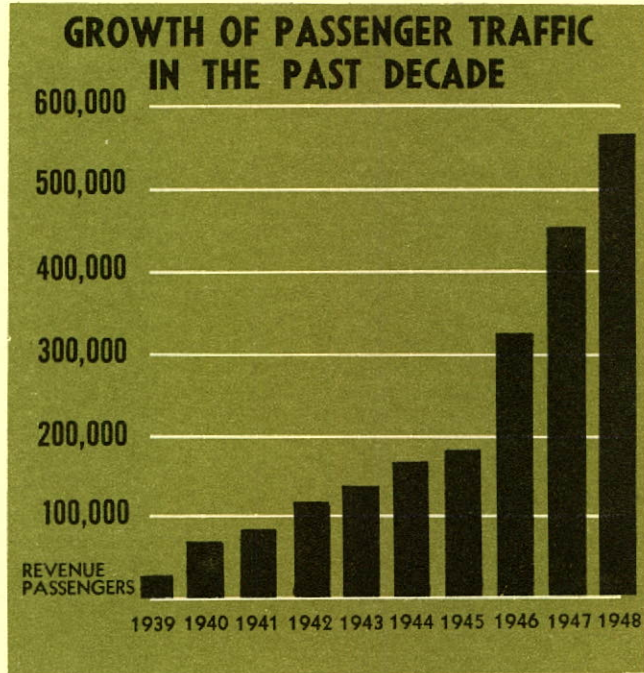
Revenue per passenger on scheduled services was \$28.13 and per passenger mile 5.99 cents, as compared with \$24.50 and 5.84 cents respectively in 1947.

There was no increase in TCA's domestic fares in 1948. On the major United States air lines, however, there was a general increase in April and another in September. As the United States fares were previously lower than those of TCA, this had the effect of an approximate equalization.

Mail Traffic

In 1948, TCA and the Post Office Department combined to introduce the general carriage of first class mail by air, at unchanged postal rates. This service, commonly known as "all-up" mail, provides for the air transport of all first-class mail one ounce or less in weight if delivery is thereby hastened. Canadians now enjoy the most inexpensive air mail service in the world and Canada is the first American country to establish such air carriage on a nation-wide scale.

The service began on July 1, more than doubling the volume of mail transported by TCA. This could not have been accommodated in the old fleet. During the full year, the Air



Line flew 2,294,088 ton miles of mail. In 1948 86% more mail was carried and 22% more mail revenue was received.

During the first eleven months of 1948,* sixteen United States trunk lines reported aggregate increases of 11% in mail volume and 53% in mail revenue.

No new mail contract was negotiated in 1948, the Post Office paying TCA at a fixed monthly rate of \$450,000 during the initial and experimental period of first class mail transport. This arrangement will continue until March 31, 1949 and provides, roughly, for a rate of \$2 per ton mile, a lower return than is received by airlines of comparable size in the United States.

Cargo Traffic

The development of commodity traffic was one of the principal concerns of the year and both air express and air cargo grew steadily.

The new air cargo service, based upon volume rates, was designed for bulk shipments at much lower cost than is possible under the air express tariff. Arrangements were made with the Canadian National Express to provide pick-up and delivery. A specialized sales force and a research bureau were established for the promotion of air cargo. To some extent, the development of this traffic has been impeded by the very heavy mail loads.

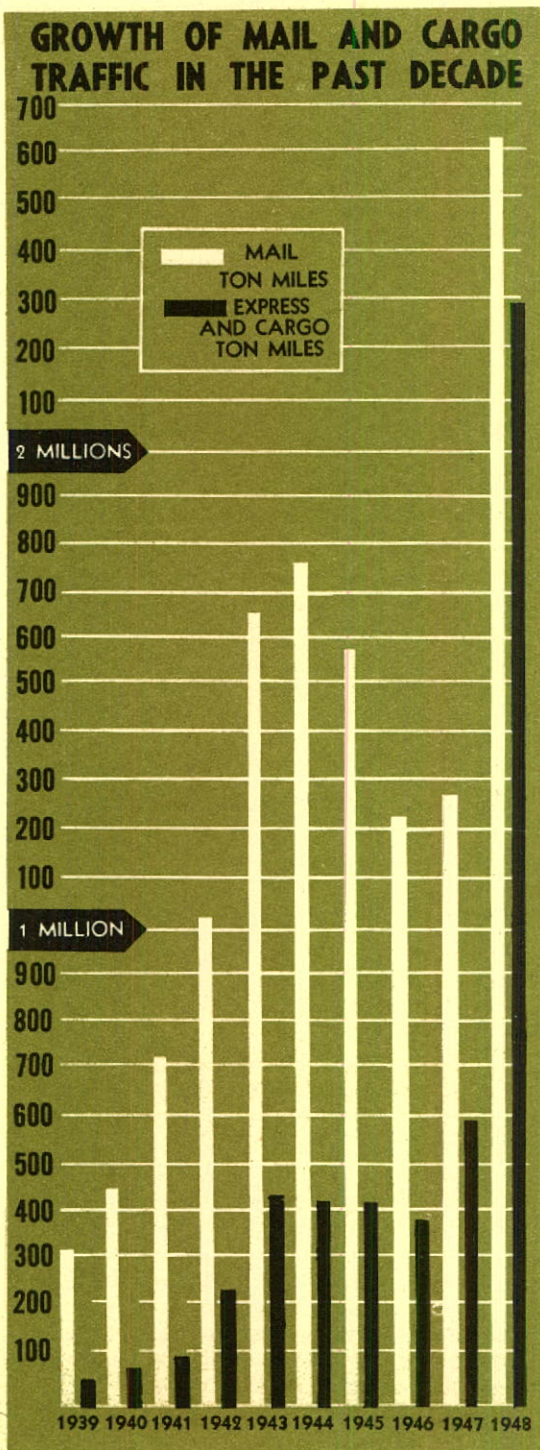
In the first year of this service, TCA carried

* United States' figures for December are not yet available.



1,874,149 pounds of air cargo. Ton miles totalled 704,831.

Air express poundage was 1,840,797, as compared with 1,439,814 in 1947, an increase of 28%. Ton miles rose from 543,307 to 708,151.



Property and Equipment

Flight equipment as of December 31, 1948, consisted of:

20 North Star aircraft, equipped with four Rolls-Royce Merlin engines, each of 1,725 horsepower. Nine of these were assigned to the North American services and eleven to the overseas services.

27 Douglas DC-3 aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines, each of 1,200 horsepower.

All of the 14-passenger Lockheed Lodestar aircraft were retired and the majority sold by year-end.

Three DC-3 aircraft, whose engine installations were not standard with the remainder of the fleet, were also retired and sold. These had become surplus to TCA's requirements after the introduction of North Star equipment.

The larger scale of operations in 1948 intensified the problems of airport accommodation for traffic and aircraft. At Winnipeg, TCA added a two-story shop and office annex to one of its hangars. At Malton Airport, Toronto, the Department of Transport constructed a new and badly-needed administration building to cope with the heavy air traffic through that point. A field post-office building was also built at Malton to facilitate the handling of air-borne mail. Many small extensions to TCA's airport quarters were made throughout the system.

A traffic office was opened in North Bay and improved accommodation provided in a number of other cities.

Routes

At December 31, 1948, Trans-Canada Air Lines was providing service for passengers, mail, express and air freight over nation-wide routes totalling 7,912 miles. This was an increase of 153 miles or 2% over 1947. The routes operated are as follows:

	* Miles
Sydney - Victoria (via Halifax, Moncton, Montreal, Ottawa, Toronto, Winnipeg, Calgary and Vancouver).....	3,469
Sydney - St. John's, Newfoundland (via Gander)...	523
Sydney - Saint John (via Moncton).....	379
Halifax - Boston (via Yarmouth and Saint John)...	563
Halifax - Moncton.....	120
Toronto - New York.....	363
Toronto - Chicago (via London and Windsor).....	465
Toronto - Cleveland.....	196
London - Cleveland.....	124
Toronto - Kapuskasing (via North Bay and Porquus Junction).....	476
Toronto - Winnipeg (via Sault Ste. Marie and the Lakehead).....	1,030
Winnipeg - Edmonton (via Saskatoon).....	763
Winnipeg - Lethbridge (via Brandon, Regina, Swift Current and Medicine Hat).....	720

* Mileages are duplicated over portions of these routes due to the interlocking nature of the airways.



	Miles
Winnipeg - Regina (via Yorkton).....	372
Lethbridge - Edmonton (via Calgary).....	301
Victoria - Seattle.....	103

Airway Facilities

TCA and the Department of Transport continued to work and plan, co-operatively, for the betterment of Canada's airport and airway facilities. Although the following projects were the work of the Department, they are of direct significance to the Air Line's operations.

Very large airport extensions were made at Winnipeg and Calgary and the runways at these cities can now support scheduled air service by the largest commercial aircraft.

Similar runway improvements were begun at Malton, Moncton and Windsor and, by next summer, those airports will be of a much higher standard.

The runways at Brandon were lengthened to conform to the requirements for DC-3 operations.

The installation of instrument landing systems proceeded at major airports. This radio device, which provides precision landing guidance to aircraft when visibility is poor, promises new standards of schedule reliability to Canadian aviation. TCA aircraft are equipped with the I.L.S. and its crews have been trained in its use. At the end of 1948, ground units were in operation at Montreal, Toronto, Winnipeg, Saskatoon, Lethbridge, Calgary and Vancouver.

Additional teletype facilities were leased in 1948 to meet the rising volume of communications traffic, particularly in connection with reservations.

The exclusive use of North Stars across the Rockies made it unnecessary to maintain a TCA staff at Kimberley and this was withdrawn.

DETAIL

TRANS-CANADA AIR LINES (ATLANTIC) LIMITED

Financial Review

The following statistics for 1948 include the new overseas services to Bermuda and the British West Indies.

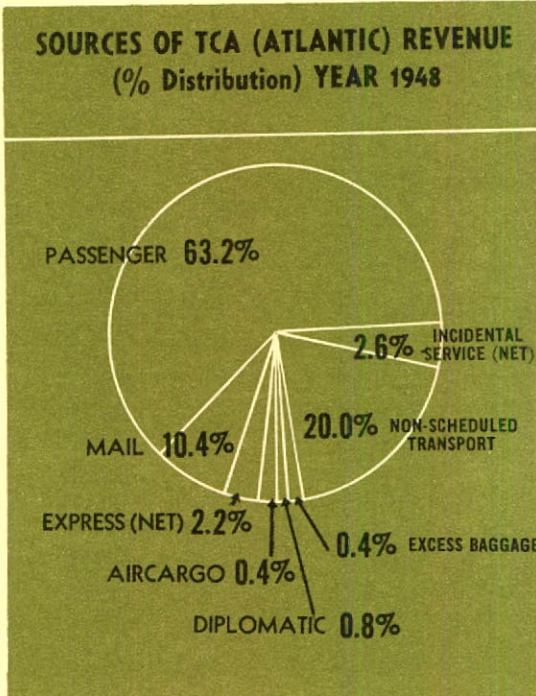
	1948	* May 1 to Dec. 31, 1948	* May 1 to Dec. 31, 1947
Operating Revenues.....	\$10,861,110	\$8,886,112	\$5,483,298
Operating Expenses Excluding Depreciation.....	11,126,437	8,324,464	5,000,161
<i>Deficit</i> or Surplus of Revenue Over Operating Expenses			
Before Depreciation and Interest.....	\$ 265,327	\$ 561,648	\$ 483,137
Depreciation.....	1,244,407	976,960	341,737
Operating <i>Deficit</i> or Surplus after Depreciation.....	\$ 1,509,734	\$ 415,312	\$ 141,400
Interest on Capital Invested.....	240,484	180,956	5,097
<i>Deficit</i> or Surplus.....	\$ 1,750,218	\$ 596,268	\$ 136,303

* On May 1, 1947, TCA assumed responsibility for the operations previously provided by the Canadian Government Trans-Atlantic Air Service. For comparative purposes, the financial results of the equivalent eight month operational period in 1948 are shown.

Operating revenues for the overseas air services totalled \$10,861,110 in 1948, of which passenger traffic contributed \$6,771,647 or 62%, mail \$1,109,732 or 10% and cargo \$514,217 or 5%. Non-scheduled transportation, largely for the carriage of immigrants to Canada, produced revenue of \$2,085,463 or 19% of the total.

Operating expenses, excluding depreciation, totalled \$11,126,437, a figure that was strongly influenced by rising wage levels and the increased cost of materials. The latter trend cost the overseas operations approximately \$420,000 in 1948.

In spite of the most vigorous efforts by those



associated with the overseas services, there was a deficit of \$1,750,218, after depreciation and interest.

This result, however, can be expected of Canada's overseas air operations at the present time. Their existence is based not upon promise of direct financial return, but upon benefits of improved trade, social intercourse and international understanding that cannot be calculated. Until Canada has a much larger population, or until the basic costs of air transport are reduced, international flying must be regarded primarily as a long-term investment.

The contrast between the 1948 deficit and the 1947 surplus is a deceptive one. The Atlantic service must, by its nature, be geared to handle a very pronounced peak of summer traffic, thereby incurring very difficult winter months. The 1947 figures represent only the eight best traffic months of the year.

In 1948 results were further affected by a delay in the introduction of the North Stars. Crews were provided in the spring and other preparations made for an expansion of Atlantic operations that did not materialize until summer. Also, the difficulty of obtaining eastbound loads for aircraft proceeding to the United Kingdom for Canadian Government immigrant flights, together with the low rate quoted for that traffic, made this service unprofitable to the Air Line.

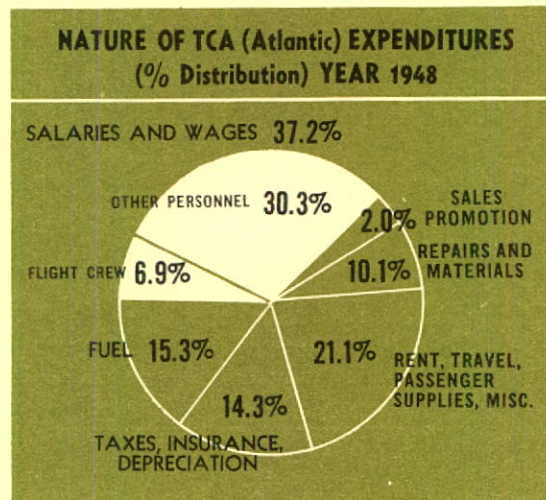
Service Development

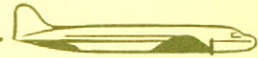
From June to September, TCA doubled its usual trans-Atlantic service frequency of a daily round-flight to accommodate heavy summer travel. In the full year, the ocean was crossed 1,510 times in revenue flight.

The Air Line undertook a mass carriage of immigrants from the British Isles and Europe that had few parallels in air transport history. Under contract, first with the Ontario Government and then with the Dominion Government, TCA flew 175 westbound charter flights with North Stars, bringing 6,000 new citizens to Canada.

A new overseas air service to Bermuda began on May 1. Vacation travel predominated and, although 1948 operations missed much of the popular winter season on the Island, loads were reasonably good. Two North Star flights were scheduled each week during the summer, one from Montreal and the other from Toronto. On November 1, a third flight was added. Flying time to Bermuda is five hours.

Canada and the British West Indies were linked by air when TCA operations to the Bahamas, Jamaica and Trinidad began on December 2. The traffic potential of this service is more diversified, appealing as it does not only to vacationists but to the long-established commercial and industrial relationship of Canada and the Caribbean islands. Today's currency problems and trade restrictions stand in the way of the free flow of commodities, but it is hoped that the new air service can break through some of the barriers. Travel and shipping time between Canada and the West Indies has been reduced from seven days by ship to six hours from Toronto to the Bahamas, nine-and-a-half-hours from





Toronto to Jamaica and fifteen hours from Toronto to Trinidad. Two flights are scheduled weekly, one terminating at Kingston and the other continuing to Port of Spain. Both originate at Montreal and make intermediate stops at Toronto. This 3,000 mile operation is independent of the Bermuda service.

Passenger Traffic

TCA carried 32,821 overseas passengers in 1948. Of these, 23,429 crossed the Atlantic in scheduled flights and 6,441 in charters. The majority of the latter travellers were immigrants. The Bermuda and Caribbean operations served 2,951 persons.

Westbound trans-Atlantic traffic was close to fleet capacity during most of the year and continued to be much heavier than eastbound traffic. Only during the summer vacation months did passenger travel to the United Kingdom reach large proportions.

In common with all other operators and by resolution of the International Air Transport Association, TCA increased its trans-Atlantic passenger fares by 8% on April 1.

Round-trip Atlantic excursion fares, based on the normal one-way fare and a third, were introduced on October 1 in an effort to encourage winter travel.

TCA and British European Airways established joint fares for travel from Canada to Continental Europe. These provide equalization with the through fares of competitive air lines.

A new Universal Air Travel Plan was introduced throughout the air transport industry on October 1 and actively promoted by TCA.

An improved quality of aircraft meal service was offered to trans-Atlantic and Caribbean passengers with the introduction in December of deep-frozen foods. TCA has pioneered the application of this important new technique in Canadian transportation and will extend it to the domestic service in 1949. Substantial economies are involved.

Mail Traffic

Trans-Atlantic air mail totalled 368,488 ton miles in 1948. Almost all of this was carried on eastbound flights, little mail being offered TCA in the British Isles.

There were 1,047 ton miles of Bermuda and West Indies mail.

Cargo Traffic

TCA flew 787,165 ton miles of overseas air express and 154,105 ton miles of air cargo, the bulk of it crossing the Atlantic.

Commodity traffic increased steadily—a very necessary development in services dominated by and sensitive to the fluctuations of passenger business. The need of more diversified overseas loads was a keynote of the Company's sales efforts. Of special interest was the heavy volume of gift food parcels that moved to the United Kingdom by air.

Property and Equipment

Nine pressurized North Star aircraft were assigned to Atlantic and Bermuda service on June 1. These, together with the six unpressurized North Stars that had been used since April, 1947, comprised the overseas fleet during the busy summer months. The latter aircraft were retired from TCA service in the autumn. Two additional pressurized North Stars were later assigned to provide for the Caribbean service. One unpressurized North Star was damaged beyond economical repair at Sydney, Nova Scotia, in August.

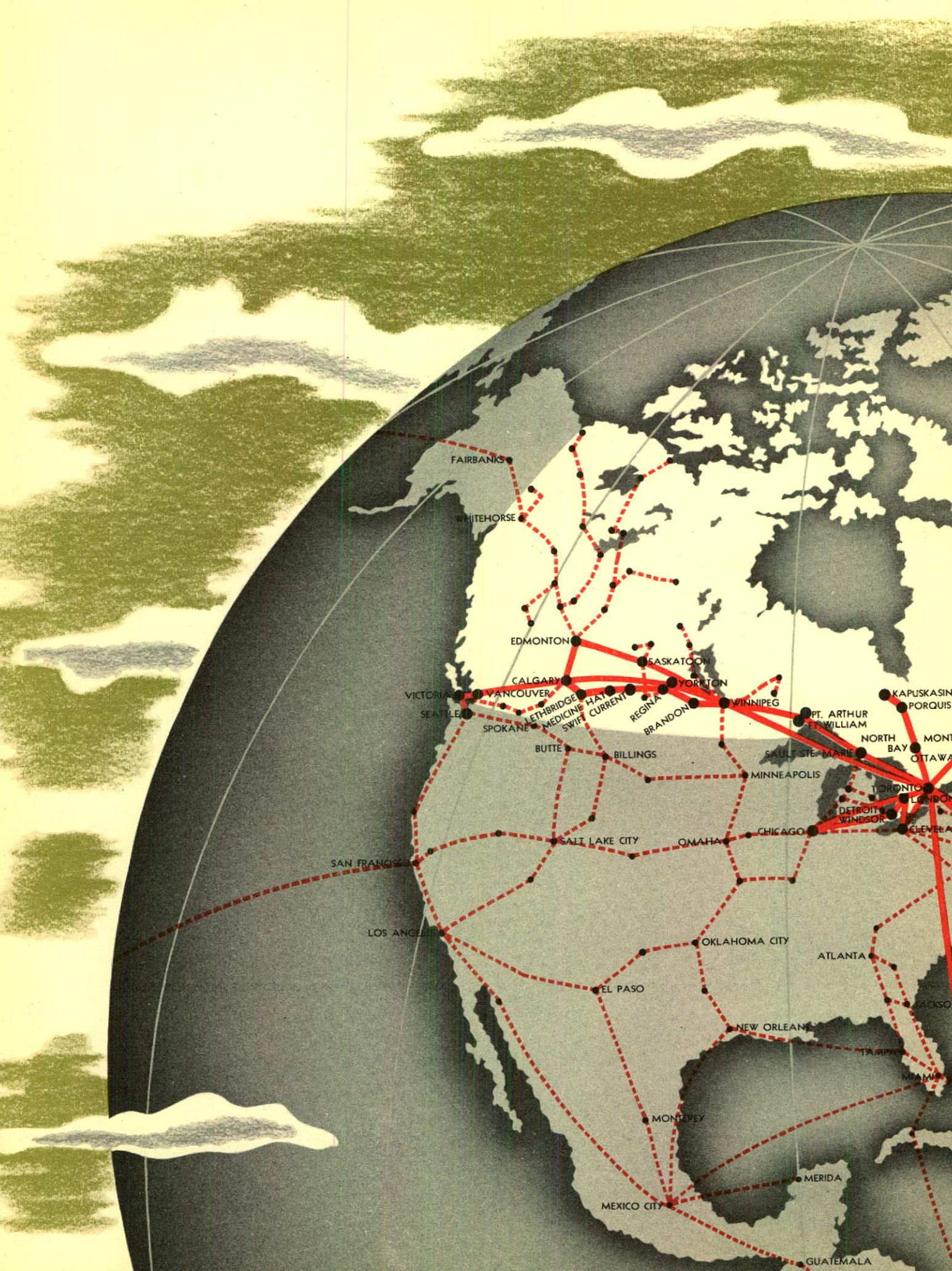
In 1948, TCA assumed responsibility for its own aircraft maintenance in the United Kingdom.

The Company installed two 5,000 watt radiotelephone transmitters at Montreal and one at Goose Bay for use by aircraft of the Bermuda, Caribbean and trans-Atlantic services respectively. A radioteletype transmitter of equal power was installed at Montreal for reservations and administrative communication with Bermuda. Other 5,000 watt units were installed by TCA at Moncton and Goose Bay for radioteletype and radiotelegraph use respectively by all trans-Atlantic air lines.

Routes

Trans-Canada Air Lines' overseas routes now total 8,275 miles, touching at England, Scotland, Ireland, Bermuda, the Bahamas, Jamaica and Trinidad. They are as follows:

	Miles
Montreal - London (via Sydney, Shannon, Glasgow and London)	3,540
Montreal - Bermuda (via Toronto)	1,462
Montreal - Port of Spain (via Toronto, Nassau and Kingston)	3,273



FAIRBANKS

WHITEHORSE

EDMONTON

SASKATON

CALGARY

YORKTON

VICTORIA

VANCOUVER

SEATTLE

LETHBRIDGE

HATFIELD

CURRENT

REGINA

BRANDON

WINNIPEG

KAPUSKASIN

PORQUIS

BUTTE

BILLINGS

SAULT STE. MARIE

NORTH BAY

MONTREAL

OTTAWA

PT. ARTHUR

FT. WILLIAM

TORONTO

LONDON

DETROIT

WINDSOR

CLEVELAND

SALT LAKE CITY

OMAHA

CHICAGO

SAN FRANCISCO

LOS ANGELES

OKLAHOMA CITY

ATLANTA

EL PASO

NEW ORLEANS

MONTEREY

TAMPA

MIAMI

MEXICO CITY

MERIDA

GUATEMALA



TRANS-CANADA AIR LINES

The Maple Leaf Route

TCA Routes 

Other Air Lines 





GENERAL

Personnel

There were 5,084 TCA employees assigned to the two Companies at the end of 1948, an increase of 691 during the year. This expansion of staff was occasioned by the operation of more services and particularly by the greater maintenance requirements of four-engined aircraft. In general, the Air Line was able to meet the much stronger flow of traffic by increased efficiency rather than additional hirings. Although TCA operated 11% more revenue miles in 1948, carried 27% more persons and flew 91% more ton miles of mail and cargo, there was a personnel increase of only 16%.

North Star Aircraft

The Company was well satisfied with the performance of its new fleet of four-engined aircraft. The Canadian-built North Stars were subject to many of the usual difficulties that accompany the entry of a new type into commercial service, but they also demonstrated that they are among the finest aircraft flying today.

Some serious disruptions of schedules attended the initial weeks of North Star operations. In part, this was due to minor mechanical complications and to unfamiliarity of ground staff with the much larger equipment. Another factor was the strain of simultaneously providing emergency flood transport in British Columbia and maintaining the scheduled services.

The mechanical difficulties were steadily overcome, however, and personnel adjusted to the new scale of transport. In the latter months of

the year, flight delays were substantially reduced.

The North Stars are fast, comfortable and reliable aircraft. The entire fleet of twenty is equipped with cabin pressurization for the elimination of the discomfort associated with high altitude flying. Further improvements are constantly being made. By installing an advanced type of Rolls-Royce engine and new three-bladed propellers, the Company, in 1948, increased the carrying ability of each of the trans-Atlantic aircraft by over a ton.

Sales Campaign

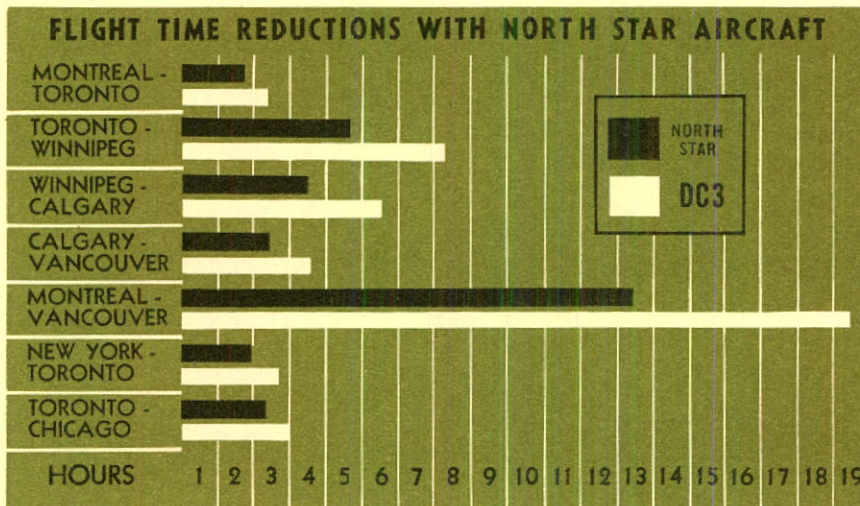
Keeping pace with its greater capacity to provide air transportation, the Company, in 1948, intensified its sales and merchandising efforts. More sales staff were trained and advertising of air travel and air shipment was employed to better effect in newspapers and other media. There was greater use of direct mail solicitation. Additional sales agents were appointed. Group air travel was encouraged. To this campaign must be credited much of the rapid growth of traffic.

Emergency Transport Service

In June, TCA and other air transport groups were able to relieve a very critical supply situation when most surface connections with British Columbia were severed by flood. Flying North Stars across the mountains in as many as six round trips daily, the Air Line carried 9,000 persons and 600,000 pounds of food and other essential cargo during the three-week period.

Self Insurance

The Company's self insurance fund increased by \$989,069 during the year and, at December 31st, amounted to \$3,113,800. This fund provides coverage for aircraft and other equipment, as well as passenger, public and employer liability on both domestic and overseas services. The premiums are re-





garded as operating costs and the growth of the fund has been made possible by the large expenditures that have produced TCA's record of safe and reliable flying.

The Air Transport Prospect

TCA sees no immediate likelihood of large route extensions. Since the war, the Company has been working quickly and at considerable expense to recover the transport progress that was lost to commercial air transport during the period of hostilities. A basic pattern of mainline air services, domestic and overseas, has now been established. A fleet of modern aircraft has been provided to fly them.

The Company's primary effort in 1949 will be to improve the quality of service on its present routes. There will be a concentration upon staff efficiency and equipment performance. With better airports and new navigational aids, there should be marked advances in air transport standards and particularly in flight regularity.

With such advances, there are good prospects of higher revenues and of further reductions in operating costs per unit of transportation performed. This is the key to airline stability everywhere. Scheduled air transport at a competitive price has few limitations to its traffic potential. The Company's greatest obstacle today is the rising level of general costs. To this must be

added the problem of organising for the seasonal fluctuations of traffic that, in Canada, are very severe.

Executive Appointments

On February 1, Mr. G. R. McGregor was appointed President of Trans-Canada Air Lines, succeeding Mr. H. J. Symington, C.M.G., K.C., retired.

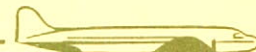
Mr. A. C. McKim, previously Vice-President, Administration, became Vice-President, Traffic.

Appreciation

The accomplishments of the Air Line are the work of an able and experienced staff, of whom 200 have completed over ten years of service and another 1,500 have been with TCA more than five years. TCA's men and women are among the most skilled in the industry and the Company's greatest asset. To the employees, the Board of Directors again extend their sincere appreciation for the loyal and effective work which has marked the year's activities.

For the Directors,

President.



CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash	\$ 559,778.79	
Working Fund Advances	104,597.16	
Special Deposits	4,745.43	
Accounts Receivable	2,554,622.68	
Traffic Balances Receivable	918,380.43	
Balances Receivable from Agents	348,088.65	
Material and Supplies	2,897,031.46	
Other Current Assets	315,566.32	\$ 7,702,810.92

Government of Canada:

Deficit year 1948	\$ 2,933,240.38	
Less paid on account	2,384,595.00	548,645.38

DEFERRED CHARGES:

Prepaid Insurance and Rents	\$ 28,720.71	
Other Deferred Charges	23,246.67	51,967.38

INSURANCE FUND

3,113,800.03

INVESTMENTS IN JOINT ASSOCIATIONS

61,295.49

CAPITAL ASSETS:

Property and Equipment	\$30,436,677.41	
Less Accrued Depreciation	5,890,827.76	24,545,849.65

\$36,024,368.85

CERTIFICATE

We have examined the books and records of the Trans-Canada Air Lines
We certify that, in our opinion, the above Consolidated Balance Sheet is
of the Air Lines as at the 31st. December, 1948, and that the relative Income
We have reported to Parliament in respect of our annual audit.

10th. March, 1949.



AT 31st. DECEMBER, 1948

LIABILITIES

CURRENT LIABILITIES:

Audited Accounts Payable.....	\$ 1,365,526.97	
Accrued Accounts Payable.....	1,960,553.12	
Traffic Balances Payable.....	519,383.93	
Air Travel Plan Deposits.....	631,975.00	
Salaries and Wages.....	502,487.23	
Other Current Liabilities.....	930,914.22	\$ 5,910,840.47

RESERVES:

Insurance.....	\$ 3,113,800.03	
Overhaul.....	424,246.81	
Research and Development.....	75,481.54	3,613,528.38

CANADIAN NATIONAL RAILWAYS:

Capital Advances.....		1,500,000.00
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CAPITAL STOCK:

Common Stock—Fully paid.....		25,000,000.00
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PROFIT AND LOSS:

Deficit 1st. January, 1948.....	\$ 1,369,678.30	
Paid by Government under Vote No. 662 Appropriation Act No. 2, 1948.....	1,369,678.30	—
		<u>\$36,024,368.85</u>

T. H. COOPER,
Comptroller.

OF AUDITORS

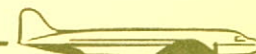
and its Subsidiary Company for the year ended the 31st. December, 1948. properly drawn up so as to exhibit a true and correct view of the affairs Accounts for the year ended the 31st. December, 1948, are correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.



INCOME ACCOUNTS

North American Services		Overseas Services	
Year 1948	Year 1947	Year 1948	1st. May, 1947, to 31st. Dec., 1947
OPERATING REVENUES:			
\$14,869,577.63	\$10,450,523.53	Passenger	\$ 6,771,646.61 \$3,912,069.71
4,648,775.41	3,808,197.01	Mail	1,109,731.51 735,013.40
764,175.18	449,447.29	Express and Cargo	514,217.02 331,556.59
124,742.89	84,912.12	Excess Baggage	40,877.66 19,849.62
99,801.10	81,905.29	Charter and Other	2,146,916.71 417,763.00
359,864.12	422,361.17	Incidental Services—Net	277,720.84 67,045.90
\$20,866,936.33	\$15,297,346.41	Total	\$10,861,110.35 \$5,483,298.22
OPERATING EXPENSES—EXCLUDING DEPRECIATION:			
\$ 5,596,608.14	\$ 3,955,603.04	Flight Operations	\$ 3,278,511.71 \$1,246,662.09
2,694,508.91	1,344,600.53	Flight Equipment Maintenance	1,924,371.88 612,521.57
3,623,019.48	3,551,212.21	Ground Operations	1,693,462.09 1,009,821.23
2,566,751.24	1,933,883.61	Ground and Indirect Maintenance	1,552,445.37 691,009.76
1,346,680.46	1,070,666.20	Passenger Service	619,462.49 349,841.05
2,043,684.09	1,799,852.67	Traffic and Sales	1,201,804.38 619,013.18
416,194.28	382,817.06	Advertising and Publicity	244,746.30 167,075.70
974,635.76	869,225.94	General and Administrative	596,960.40 307,078.13
12,111.68	62,188.85	Miscellaneous Income—Net	14,672.39 2,861.71
\$19,249,970.68	\$14,845,672.41	Total	\$11,126,437.01 \$5,000,161.00
Surplus of Revenues over Operating Expenses			
\$ 1,616,965.65	\$ 451,674.00	before Depreciation and Interest	\$ 265,326.66 \$ 483,137.22
2,374,085.64	1,950,819.54	DEPRECIATION	1,244,407.10 341,737.19
\$ 757,119.99	\$ 1,499,145.54	Operating <i>Deficit</i> or Surplus	\$ 1,509,733.76 \$ 141,400.03
425,902.17	261,897.30	Interest on Capital Invested	240,484.46 5,096.72
\$ 1,183,022.16	\$ 1,761,042.84	<i>Deficit</i> or Surplus	\$ 1,750,218.22 \$ 136,303.31

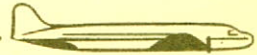


North American Services		Overseas Services	
Year 1948	Year 1947	Year 1948	1st. May, 1947, to 31st. Dec., 1947
5100 FLIGHT OPERATIONS			
\$1,484,644.26	\$1,383,474.50	23 Captains and First Officers	\$ 549,851.46 \$ 214,553.56
—	—	24 Other Flight Personnel	289,573.89 125,396.93
215,172.24	187,380.11	28 Training—Salaries and Expenses	59,198.12 20,904.04
190,852.42	158,311.75	36 Travel and Incidental	100,768.22 33,807.63
3,215,780.92	1,940,561.35	45 Aircraft Engine Fuel and Oil	1,867,067.34 702,526.77
16,089.35	40,008.30	53 Other Supplies	8,642.87 10,077.66
472,241.76	240,006.85	55 Flight Equipment Insurance	403,042.16 138,618.66
1,381.94	5,368.01	67 Clearance Fees	113.95 389.07
445.25	492.17	74 Other Expenses	253.70 387.77
<u>\$5,596,608.14</u>	<u>\$3,955,603.04</u>		<u>\$3,278,511.71</u> <u>\$1,246,662.09</u>
5200 FLIGHT EQUIPMENT MAINTENANCE			
\$ 526,346.05	\$ 278,015.03	25 Aircraft—Labour	\$ 342,834.85 \$ 97,781.10
575,652.69	228,755.51	26 Aircraft Engine—Labour	408,016.28 135,959.80
121,731.49	95,933.00	27 Aircraft Other Equipment—Labour	36,100.40 31,209.39
485,125.19	316,616.04	46 Aircraft—Material, etc.	332,273.96 97,039.37
890,515.13	359,579.73	47 Aircraft Engine—Material, etc.	741,850.03 186,166.05
95,138.36	65,701.22	48 Aircraft Other Equipment—Material, etc.	63,296.36 64,365.86
<u>\$2,694,508.91</u>	<u>\$1,344,600.53</u>		<u>\$1,924,371.88</u> <u>\$ 612,521.57</u>
6100 GROUND OPERATIONS			
\$ 210,527.74	\$ 239,108.57	21 General Officers and Superintendents	\$ 199,482.18 \$ 87,191.10
205,592.62	129,577.11	22 Station Managers and Assistants	55,567.27 18,613.85
25,028.32	33,306.51	28 Training—Salaries	36,046.43 14,023.75
359,382.34	556,710.89	29 Ground Service Employees—Mechanical	115,841.34 199,383.37
495,710.55	395,486.41	29 Ground Service Employees—Cargo	104,423.14 62,245.85
132,727.20	135,049.51	30 Flight Dispatchers	79,002.21 38,285.87
287,306.74	249,125.68	30 Radio Operators	3,261.82 —
131,323.49	117,563.11	30 Teletype Operators	17,525.51 6,252.49
206,714.98	251,919.11	35 Other Employees	130,805.05 54,933.54
132,971.28	148,491.16	36 Travel and Incidental	136,610.52 54,498.86
204,469.22	189,511.51	37 Telephone, Telegraph and Teletype	49,969.97 21,631.25
64,567.41	99,809.92	38 Light, Heat, Power and Water	23,406.25 7,584.42
185,088.06	143,437.54	39 Cargo Expenses	148,619.22 94,208.16
75,078.66	70,725.01	40 Agency Services and Joint Facilities	19,635.08 8,536.10
190,806.48	215,433.14	43 Other Services	118,808.07 125,430.18
115,754.70	75,811.65	44 Airport, Building and Office Rentals	48,424.19 19,902.41
410,145.90	237,342.12	44 Airport Landing Fees	240,199.56 104,950.58
36,378.65	83,528.42	49 Servicing Supplies	43,182.30 17,678.62
73,688.81	76,994.83	50 Stationery, Printing and Office Supplies	46,325.78 22,107.46
39,832.56	42,770.65	53 Other Supplies	15,227.86 5,078.75
681.56	102.00	64 Memberships	— —
39,242.21	59,407.36	74 Other Expenses	61,098.34 47,284.62
<u>\$3,623,019.48</u>	<u>\$3,551,212.21</u>		<u>\$1,693,462.09</u> <u>\$1,009,821.23</u>

**North American Services****Overseas Services**

Year 1948	Year 1947		Year 1948	1st. May, 1947, to 31st. Dec., 1947
6200 GROUND AND INDIRECT MAINTENANCE				
\$ 149,481.76	\$ 107,617.73	21 General Officers and Superintendents	\$ 54,102.59	\$ 32,342.61
378,601.65	280,468.03	22 Maintenance and Stores Supervision	258,373.40	121,275.90
212,234.48	138,777.96	27 Equipment and Facilities—Labour	97,294.52	37,809.78
23,982.16	60,734.45	28 Training—Salaries	32,719.64	9,327.53
310,396.97	190,260.54	28 Unallocated Shop Labour	180,930.71	34,535.86
174,631.15	147,998.54	29 Building Attendants	70,722.46	38,012.34
147,534.41	126,953.32	31 Stores Employees	102,349.60	49,594.36
219,502.88	207,442.67	35 Engineering Employees	115,926.66	88,502.21
207,484.15	200,029.81	35 Other Employees	237,083.06	121,091.87
101,691.78	90,397.80	36 Travel and Incidental	53,131.23	25,595.98
15,254.81	9,929.27	37 Telephone and Telegraph	15,877.24	11,987.63
88,809.79	44,535.31	38 Light, Heat, Power and Water	33,982.81	7,907.34
8,986.75	—	43 Other Services	10,859.33	—
26,771.02	6,661.91	44 Building and Office Rentals	32,343.43	10,118.36
218,067.90	183,912.77	48 Equipment and Facilities—Material, etc.	104,363.24	46,025.76
168,289.49	103,132.99	49 Shop Supplies	67,998.54	28,886.54
35,875.46	29,069.04	50 Stationery, Printing and Office Supplies	23,817.66	12,457.17
24,853.74	10,888.93	53 Other Supplies	9,202.29	4,517.32
17,733.24	6,553.34	54 Stores Inventory Adjustment	15,619.24	—
263.10	82.16	64 Memberships	3.00	2.84
36,304.55	1,543.72	74 Other Expenses	35,744.72	11,018.36
<u>\$2,566,751.24</u>	<u>\$1,933,883.61</u>		<u>\$1,552,445.37</u>	<u>\$ 691,009.76</u>

6300 PASSENGER SERVICE				
\$ 35,439.40	\$ 35,435.03	21 General Officers and Superintendents	\$ 18,741.77	\$ 6,715.59
289,576.20	245,673.30	24 Stewards and Stewardesses	150,615.94	68,048.73
6,178.19	10,054.31	28 Training—Salaries	2,832.38	1,958.16
5,512.44	10,368.62	35 Other Employees	2,768.61	1,531.38
112,461.26	84,950.20	36 Travel and Incidental	49,489.06	18,379.04
37,059.75	20,148.00	43 Other Services	13,150.30	5,502.98
578.24	842.10	50 Stationery, Printing and Office Supplies	593.43	575.99
414,842.20	332,146.92	51 Passenger Food Expense	127,612.40	54,749.84
133,773.32	115,114.76	52 Passenger Supplies	46,122.40	30,374.12
121,647.59	96,530.10	56 Passenger Liability Insurance	47,823.77	76,512.62
119,129.22	66,771.26	63 Interrupted Flight Expense	144,888.49	82,223.63
—	30.00	64 Memberships	—	—
66,130.14	50,305.28	67 Customs Expense	13,746.24	2,661.26
4,352.51	2,296.32	74 Other Expenses	1,077.70	607.71
<u>\$1,346,680.46</u>	<u>\$1,070,666.20</u>		<u>\$ 619,462.49</u>	<u>\$ 349,841.05</u>



North American Services

Overseas Services

North American Services		Overseas Services	
Year 1948	Year 1947	Year 1948	1st. May, 1947, to 31st. Dec., 1947
6400 TRAFFIC AND SALES			
\$ 85,151.15	\$ 77,257.05	21 General Officers and Superintendents	\$ 50,073.80 \$ 21,300.66
129,603.30	85,983.46	22 Traffic Supervision	76,214.23 31,808.54
11,840.63	20,116.92	28 Training—Salaries	6,962.97 5,897.38
1,076.79	1,267.76	29 Building Attendants	633.21 385.98
26,775.13	34,334.50	30 Teletype Operators	15,745.33 10,391.37
355,169.18	378,739.59	32 Ticketing Employees	208,860.00 118,100.89
332,503.58	372,416.96	32 Reservations Employees	195,531.33 115,698.80
115,781.42	42,027.13	33 Traffic Solicitors	68,086.17 17,357.08
151,127.08	127,930.26	35 Other Employees	88,871.46 42,188.17
128,880.08	90,977.54	36 Travel and Incidental	75,788.93 32,592.18
166,664.51	163,731.97	37 Telephone, Telegraph and Teletype	98,008.37 56,866.11
8,061.16	7,141.05	38 Light, Heat, Power and Water	4,740.43 2,376.56
296,489.16	189,169.20	40 Agency Services and Joint Facilities	174,352.76 92,097.72
34,613.51	16,862.29	43 Other Services	20,354.75 7,206.01
112,581.00	116,540.86	44 Office Rentals	66,204.14 38,870.54
71,398.27	63,301.92	50 Stationery, Printing and Office Supplies	41,986.31 21,179.99
2,867.38	2,297.40	53 Other Supplies	1,686.19 1,209.66
3,155.04	1,377.96	64 Memberships	1,855.34 247.77
9,945.72	8,378.85	74 Other Expenses	5,848.66 3,237.77
\$2,043,684.09	\$1,799,852.67		\$1,201,804.38 \$ 619,013.18
6500 ADVERTISING AND PUBLICITY			
\$ 28,962.48	\$ 24,935.83	59 Timetables and Distribution	\$ 17,031.61 \$ 8,788.84
248,356.51	275,314.19	60 Advertising—Space	146,047.98 123,964.61
97,836.28	40,226.42	61 Advertising—Other	57,533.39 18,128.44
41,039.01	42,340.62	62 Other Promotional and Publicity Expense	24,133.32 16,193.81
\$ 416,194.28	\$ 382,817.06		\$ 244,746.30 \$ 167,075.70
6600 GENERAL AND ADMINISTRATIVE			
\$ 72,523.19	\$ 87,424.63	21 General Officers and Supervision	\$ 45,785.43 \$ 29,089.17
23,192.85	23,839.20	22 Administrative Supervision—Other	14,642.15 —
243,309.72	201,716.97	35 Other Employees	153,925.10 74,500.52
19,059.65	24,192.20	36 Travel and Incidental	12,032.76 8,985.78
9,004.10	11,790.51	37 Telephone and Telegraph	5,684.45 4,572.15
30,830.00	37,999.99	39 Affiliated Company Charge	19,170.00 12,000.01
7,814.25	10,311.18	41 Professional Fees and Expenses	4,933.28 3,604.69
18,591.28	4,792.02	44 Office and Equipment Rentals	11,737.01 2,361.56
26,656.11	25,581.87	50 Stationery, Printing and Office Supplies	16,828.54 7,014.41
31,683.09	25,380.81	55 Insurance—Public Liability and General	8,891.12 7,570.58
63,513.87	58,388.35	57 Insurance—Employees' Welfare	90,604.83 60,924.58
298,342.67	242,768.93	57 Pensions	149,386.93 72,405.87
10,983.96	4,938.14	64 Memberships	6,934.24 274.86
46,688.73	41,210.27	68 Taxes—Payroll	22,425.14 5,216.25
45,287.96	38,164.33	69 Taxes—General	16,836.36 7,760.64
27,154.33	30,726.54	74 Other Expenses	17,143.06 10,797.06
\$ 974,635.76	\$ 869,225.94		\$ 596,960.40 \$ 307,078.13



North American Services

Overseas Services

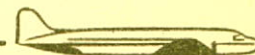
Year 1948	Year 1947		Year 1948	1st. May, 1947, to 31st. Dec., 1947
5900 FLIGHT EQUIPMENT DEPRECIATION				
\$1,370,951.01	\$1,186,435.43	75 Aircraft	\$ 669,417.96	\$ 205,483.38
265,045.52	188,843.82	76 Aircraft Engines	224,287.88	51,670.84
303,184.64	263,003.74	77 Aircraft Spare Parts	155,580.35	36,607.73
220,874.67	146,883.58	77 Aircraft Other Equipment	116,865.24	34,600.02
6900 GROUND FACILITIES DEPRECIATION				
214,029.80	165,652.97	78 Ground Property and Equipment	78,255.67	13,375.22
<u>\$2,374,085.64</u>	<u>\$1,950,819.54</u>		<u>\$1,244,407.10</u>	<u>\$ 341,737.19</u>

STATISTICAL DATA

North American Services

Overseas Services

Year 1948	Year 1947		Year 1948	1st. May, 1947, to 31st. Dec., 1947
7,912	7,759	Route Miles Operated	8,275	3,313
15,270,649	15,543,485	Plane Miles Flown—Revenue	4,671,120	2,386,709
222,386	472,649	Plane Miles Flown—Training	27,015	51,978
855,600	671,514	Plane Miles Flown—Other Non-Revenue	425,144	117,725
532,555	427,967	Revenue Passengers Carried	32,821	15,815
469	420	Average Passenger Journey—Miles	2,874	3,134
68	62	Percentage of Passenger Occupancy	61	73
2,294,088	1,232,237	Mail Ton Miles Flown	369,534	251,562
1,415,231	634,019	Express and Cargo Ton Miles Flown	941,270	508,598
192,871	130,086	Excess Baggage Ton Miles Flown	42,889	22,410



COMPARATIVE OPERATING STATISTICS
for
THE DOMESTIC SERVICES
of
TCA AND SIXTEEN MAJOR UNITED STATES AIRLINES
in
THE YEARS 1948 and 1947

	T C A			16 U.S. Trunklines		
	1947	1948	% Increase or Decrease	1947	1948*	% Increase or Decrease
Revenue Miles Flown.....	15,543,485	15,270,649	1.76%	311,879,430	315,974,688	1.31%
Revenue Passengers Carried.....	427,967	532,555	24.44	12,246,353	12,231,580	.12
Revenue Passenger Miles.....	179,808,562	249,575,544	38.80	6,008,122,000	5,790,160,000	3.63
Available Seat Miles.....	288,503,511	367,455,955	27.37	9,058,579,000	9,945,007,000	9.79
Revenue Passenger Load Factor.....	62.32%	67.92%	8.99	66.33%	58.22%	12.23
Average Passenger Load Per Revenue Mile.....	11.57	16.34	41.23	19.26	18.32	4.88
Average Seats Available Per Revenue Mile.....	18.56	24.06	29.63	29.05	31.47	8.33
Average Passenger Journey—Miles.....	420.15	468.64	11.54	490.60	473.38	3.51
Express and Freight Ton Miles.....	599,186†	1,409,538	135.24	63,442,410	101,344,011	59.74
Mail Ton Miles.....	1,275,909	2,294,088	79.80	32,844,774	32,669,163	0.53
Saleable Ton Miles.....	33,731,549	48,800,587	44.67	1,209,477,771	1,340,641,240	10.84
Revenue Ton Miles.....	19,568,569	28,195,275	44.08	682,135,634	686,993,101	0.71
Weight Load Factor.....	58.01	57.78	0.40	56.40	51.24	9.15

*December Estimated.

†Freight carried for only four months of 1947.

