

1941

TRANS-CANADA AIR LINES

ANNUAL REPORT

FOR THE YEAR ENDED 31ST. DECEMBER, 1941

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BOARD OF DIRECTORS

Elected by Shareholders:

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

Appointed by Governor in Council:

C. P. EDWARDS.....	Deputy Minister of Transport.....	Ottawa
J. A. WILSON.....	Director of Air Services, Department of Transport.....	Ottawa
GEO. HERRING	Chief Superintendent of Air and Land Mail Services, Post Office Department.....	Ottawa

OFFICERS

President.....	H. J. SYMINGTON, K.C., Montreal
Vice-President.....	O. T. LARSON, Winnipeg
Assistant Vice-President.....	W. F. ENGLISH, Winnipeg
Operations Manager.....	R. F. GEORGE, Winnipeg
Assistant Superintendent.....	E. P. WELLS, Winnipeg
Operations Superintendent—Central Division.....	F. M. MCGREGOR, Toronto
Operations Superintendent—Western Division.....	E. W. STULL, Lethbridge
Operations Superintendent—Atlantic Division.....	W. W. FOWLER, Moncton
Superintendent of Maintenance and Overhaul.....	J. T. BAIN, Winnipeg
Superintendent of Passenger Service.....	D. R. MACLAREN, Winnipeg
Superintendent of Communications.....	S. S. STEVENS, Winnipeg
Chief Pilot.....	J. H. SANDGATHE, Winnipeg
Acting General Traffic Manager.....	W. J. DALBY, Winnipeg
Secretary.....	W. H. HOBBS, Montreal
Comptroller.....	T. H. COOPER, Montreal
Auditor.....	P. W. BALDWIN, Winnipeg
Treasurer.....	C. D. COWIE, Montreal
Chief Counsel.....	E. E. FAIRWEATHER, K.C., Montreal
Director of Public Relations.....	W. S. THOMPSON, Montreal
Architect.....	J. SCHOFIELD, Montreal
General Manager, Express Service.....	G. E. BELLEROSE, Montreal

TRANS-CANADA AIR LINES

FIFTH ANNUAL REPORT OF THE DIRECTORS OF TRANS-CANADA AIR LINES YEAR ENDED 31ST. DECEMBER, 1941

To the Shareholders:

The Board of Directors submit herewith the Annual Report of Trans-Canada Air Lines for the year ended 31st. December, 1941.

The year's operations were marked by continued development and growth of passenger, mail and express business, extension of services to meet the growing demand for air transport, and increased utilization of the company's skilled personnel and plant facilities to serve the war effort.

The number of passengers carried increased sixty per cent, air mail increased fifty per cent, and air express increased sixty-four per cent.

The transcontinental service was extended from Moncton to Halifax, and a daily trip was added to the Toronto-Montreal service; a new service was inaugurated between Toronto and New York; operation of the Vancouver-Seattle service was discontinued.

The shops and facilities at Winnipeg and Malton (Toronto) were expanded to undertake additional repair and overhaul work on military aircraft. Maintenance and overhaul of aircraft used in the Atlantic Return Ferry Service was undertaken at Montreal.

RESULT OF OPERATIONS

	1941	1940	Increase or Decrease
Operating Revenues.....	\$5,807,794.03	\$4,592,383.39	\$1,215,410.64
Operating Expenses.....	5,306,136.00	3,855,934.04	1,450,201.96
	501,658.03	736,449.35	234,791.32
Income Charges and Interest.....	199,221.24	197,186.20	2,035.04
Surplus.....	\$ 302,436.79	\$ 539,263.15	\$ 236,826.36

Operating revenues totalled \$5,807,794, an increase of \$1,215,411 or 26% over the preceding year, which indicates a substantial growth in the earning power of the company. Passenger revenues increased \$774,211 or 50%; mail revenues increased \$225,758; express and miscellaneous revenues increased \$215,442. Effective April 1st the rate for the carriage of air mail was reduced from 60 cents to 45 cents a mile. Partly as a result of this reduction in rate, and partly due to the increase in passenger business, mail revenue contributed 53% of the total revenue as compared with 62% in 1940 and 70% in 1939.

Operating expenses totalled \$5,306,136, an increase of \$1,450,202 or 38% over the preceding year. Approximately one half of the increase is accounted for by expansion of services; the remainder represents increased labour and material costs due to war conditions. Payrolls increased \$597,398; gasoline and oil \$285,883; materials and supplies \$359,403; rentals, office expenses, advertising and miscellaneous expenses \$138,903; depreciation and insurance \$68,615.

OPERATIONS AND DEVELOPMENT

Route miles operated at December 31st. totalled 4,024, and daily scheduled miles 18,764, an increase compared with December 31st. 1940, of 362 miles and 3,620 miles respectively. Revenue plane miles flown during the year were 6,384,651, as compared with 4,770,219 in 1940, an increase of 1,614,432. 97.2% of the mileage scheduled was completed. Total miles flown, including training, amounted to 7,274,815, as compared with 5,258,984 in 1940.

Passenger Service:

Revenue passengers numbered 85,154 in 1941, as compared with 53,180 in 1940, an increase of 31,974 or 60%. The average passenger journey was 520 miles, as compared with 551 miles in 1940. The percentage of passenger occupancy (passengers carried in relation to seat capacity) was 67%, as compared with 63% in 1940. On the transcontinental service the percentage was 71%, as compared with 66% in 1940.

As an added service to passengers a central reservation bureau was established to control the assignment of space for all trips.

In common with all air transport lines on this continent, the company has suffered loss of revenue, and its prospective patrons have experienced inconvenience, because of "no shows," i.e., passengers who make a reservation and then fail to appear at plane departure time or who cancel their reservations immediately prior to departure. Measures have been taken which are effecting an improvement in this regard.

Air Mail Service:

There was a marked increase during the year in the use made of the air mail service. Miles flown with air mail increased 34%; pounds of air mail carried increased 50%; and pound miles of air mail carried increased 60%, all indicating an increasing mail load per trip, resulting in more revenue to the Post Office. Mail loads now approximate 5,000 pounds per day. This represents about a quarter of a million air mail letters per day. On the transcontinental night trips the heavy mail load occasionally necessitates some passenger accommodation being withheld from sale.

Air Express Service:

Air express service continues to gain in popularity as its speed and convenience are recognized. During the year 173,192 pounds of air express were carried, as compared with 105,788 pounds in 1940, a gain of 64%. The average distance a shipment was carried was 1,400 miles, or approximately the distance between Montreal and Winnipeg.

Following the inauguration of the Toronto-New York service, arrangements were made with the Railway Express Agency and the Canadian National Express for an air express service between points in Canada and points in the United States.

Service Extensions:

Service was extended from Moncton to Halifax on April 16th. The flight from Montreal to Halifax occupies less than four hours. The service is filling a definite need and is well patronized.

The Civil Aeronautics Board of the United States granted the company a license to operate between Toronto and New York. An agreement was entered into with the City of New York for terminal facilities at La Guardia Airport and with American Airlines for the servicing of this company's equipment. Service was inaugurated on May 10th on the basis of two daily round trips and increased to three on June 16th. The extension of the service to New York provides a valuable passenger, mail and express connection to United States points and with Trans-Atlantic, Caribbean and South American services.

Prince Edward Island Service:

On April 15th, Canadian Airways Limited cancelled its service between Moncton, Summerside and Charlottetown. On request of the Postmaster General, Trans-Canada temporarily operated a service until December 8th, when the Post Office Department entered into a contract with Maritime Central Airways Limited.

PROPERTY AND EQUIPMENT**Flight Equipment:**

As of December 31st, 1941, the flight equipment of the company consisted of:

12 Lockheed 14H Aircraft, equipped with two Pratt and Whitney Hornet engines each of 850 horsepower.

6 Lockheed Lodestar Aircraft, equipped with two Pratt and Whitney Twin-row Wasp engines each of 1200 horsepower.

Retirements during the year were: two Lockheed 14H Aircraft requisitioned by the Dominion Government and one Lockheed 14H Aircraft destroyed in the accident at Armstrong, referred to in last year's report.

To provide for replacement of these three aircraft and for additional flight equipment required for service extensions, the Office of Production Management, Washington, has allocated to the company six Lockheed Lodestar aircraft for delivery in August and September of the current year.

A contract was entered into for purchase of Twin-row Wasp engines for replacement of Hornet engines in the 14H aircraft. Engineering work on this project was completed during the year and deliveries of the engines are now being made. It is expected that this programme will be completed by the late summer of 1942.

Ground Facilities:

The hangar at Montreal Airport (Dorval), constructed under arrangement with the Department of Transport, was completed during the summer. Agreements were entered into with Canadian Colonial Airways Limited, Northeast Airlines Inc., and Quebec Airways Limited, to provide those companies with storage and servicing facilities in the new hangar.

AIRWAY FACILITIES

Early in the year the Department of Transport took over from the municipal authorities for the duration of the war the operation and management of the airports at Vancouver, Lethbridge, Calgary, Edmonton, Regina and Winnipeg. This measure was necessary in order to maintain adequate airway control because of the increasing use of the facilities by military aircraft for defence purposes. All airports in Canada used by the company are now under the direct control of the Government.

A continuing programme of improvements to runways, field facilities, lighting, and navigational aids was carried on by the Department throughout the year, including terminal airports and intermediate and emergency fields. Owing to the heavy military and commercial traffic over Canadian airways steps are being taken by the Department to establish a system, similar to that in effect in the United States, of regional traffic control zones to expedite the movement of air-borne traffic.

The weather reporting service, operated by the Meteorological Branch of the Department, was extended and its personnel augmented to meet the growing needs of military and civil aviation.

Runways and other field facilities of the Montreal Airport at Dorval were completed in August and the airport was opened on September 1st. On the same date the St. Hubert Airport was transferred to the military. The new airport is conveniently located to the city, and with the completion of the administration building early this year is one of the best equipped and most modern on the continent.

The administration buildings at Malton and Ottawa were enlarged by the Department to provide for the increasing volume of traffic.

PERSONNEL

Personnel as at December 31st. 1941, totalled 1,123, the comparative figures being as follows:

	December 31st.	
	1941	1940
Administrative	13	13
Captains and First Officers	105	89
Stewardesses	54	40
Maintenance and Overhaul	562	399
Dispatch and Communications	125	101
Station Staffs	82	43
Traffic	68	50
Clerical, Stores and General	71	54
Maintenance and Overhaul, Dorval, for British Overseas Airways Corporation	43	—
	1,123	789

As of December 31st, sixty-six employees had enlisted for active service. The trend during the year was to employ women to release men for military service. As of December 31st. 1940, there were only eighteen women employees apart from stewardesses on the company's payrolls, whereas by December 31st. 1941, this number had increased to one hundred and one.

As from June 1st. 1941, a wartime cost-of-living bonus has been paid to employees of the rank of foreman or under.

FINANCIAL

Balance Sheet:

The paid in capital of the company, \$3,750,000, which has all been raised by the issue of capital stock, was not increased during the year. The reserve for depreciation increased by \$546,212, and now stands at \$1,878,366. The self insurance reserve increased by \$85,345 and is now \$292,172.

Property and Equipment:

Expenditures on property and equipment totalled \$765,666, and retirements amounted to \$513,460, resulting in a net increase in investment account of \$252,206, as follows:—

EXPENDITURES:

Purchase of Pratt & Whitney Twin-row Wasp engines to replace Hornet engines—part payment	\$504,460	
Purchase of propeller assemblies and blades	65,405	
Purchase of Bendix automatic radio compasses for 14H aircraft	65,484	
Shop and servicing equipment	59,111	
Ground station radio equipment	27,781	
Betterments to aircraft and aircraft equipment	9,748	
Betterments to hangars and other buildings	8,496	
Furniture and fixtures for offices and stations, and miscellaneous	25,181	\$765,666

RETIREMENTS:

Three Lockheed 14H aircraft with two spare engines	\$415,868	
Sperry automatic pilots sold	73,710	
Propeller assemblies	9,575	
Servicing equipment and miscellaneous	14,307	513,460
Net change in Investment Account		\$252,206

GENERAL

Special War Activities:

The company has undertaken on a considerable scale the repair and overhaul of military aircraft, including engines, propellers and instruments. Throughout the year the volume of work produced has shown a consistent increase. Women have displayed particular aptitude for certain types of work and an increasing number are being trained. The company's shops are on a three-shift basis and full use is being made of all facilities.

Maintenance and Overhaul of Aircraft Employed in Atlantic Return Ferry Service:

An agreement was entered into with the British Overseas Airways Corporation, under which Trans-Canada has undertaken the repair and overhaul of aircraft employed in the Atlantic Return Ferry Service operated by the Corporation. A maintenance staff, the nucleus of which was provided from the Winnipeg repair base, has been organized at Dorval. The company will shortly undertake the necessary servicing requirements in Newfoundland in connection with this service.

Service Extensions:

Recent negotiations have resulted in an arrangement for Trans-Canada to establish an air service to Newfoundland. It is anticipated a regular daily passenger, mail and express schedule will commence on May 1st. next.

Because of this new service, and in view of the extent of the company's existing operations in the Maritime Provinces, a divisional headquarters and dispatch centre has been established at Moncton, with jurisdiction over operations east of Montreal, including Newfoundland.

Transportation difficulties and unseasonable weather combined to delay the completion of airports and other facilities on the airway being constructed by the Canadian Government for military and commercial aviation between Edmonton and Whitehorse, Yukon Territory. The airway will be completed and suitable for main line operation in the autumn of 1942 and Trans-Canada will then extend its services to that territory, thus providing a direct main line service from the United States and Canada to Alaska.

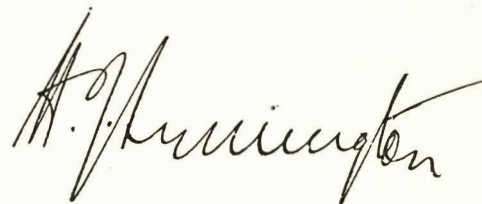
Outlook for 1942:

The outlook for 1942 contains many uncertainties. There is every indication of a further increase in traffic on the services now operated and of a substantial volume of traffic from the extension of services planned. Work on direct war contracts for the overhaul of military aircraft, engines, instruments and accessories will expand considerably and place additional burdens on the supervisory and skilled personnel of the company, but these will be accepted cheerfully. The company's equipment and plant have been well maintained and are in good condition.

On July 24th. Mr. H. J. Symington, K.C., became President of the Company, succeeding Mr. S. J. Hungerford who resigned from that position and from the Board of Directors. Concurrently, Mr. R. C. Vaughan succeeded Mr. Hungerford as a Director.

The directors record with pleasure their appreciation of the loyal and capable services of the officers and employees of the company.

For the Directors,



President.

Montreal, 10th. March, 1942.

BALANCE SHEET AT

ASSETS

CURRENT ASSETS:

Cash.....	\$ 388,494.54	
Working Fund Advances.....	3,495.71	
Special Deposits.....	10,062.53	
Accounts Receivable.....	874,153.43	
Traffic Balances Receivable.....	253,374.88	
Balances Receivable from Agents.....	27,194.22	
Materials and Supplies.....	635,623.56	
Other Current Assets.....	67,819.48	\$2,260,218.35

INVESTMENT IN AFFILIATED COMPANIES..... 2,250.00

PREPAYMENTS—INSURANCE..... 33,178.64

CAPITAL ASSETS:

Property and Equipment.....	\$5,110,754.40	
Less Accrued Depreciation.....	1,878,365.86	3,232,388.54
		<u>\$5,528,035.53</u>

CERTIFICATE

We have examined the books and records of the Trans-Canada Air Lines for the above Balance Sheet is properly drawn up so as to exhibit a true and correct relative Income Account for the year ended the 31st. December, 1941, is correctly

10th. March, 1942.

31st. DECEMBER, 1941.

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable.....	\$ 504,291.04	
Traffic Balances Payable.....	28,075.12	
Salaries and Wages.....	79,517.01	
Other Liabilities.....	32,280.75	\$ 644,163.92

SELF INSURANCE RESERVE.....		292,171.67
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CAPITAL STOCK:

Common Stock Subscribed—Par Value.....	\$5,000,000.00	
Less Uncalled Subscriptions to Common Stock.....	1,250,000.00	3,750,000.00

SURPLUS:

Balance at 1st. January, 1941.....	\$ 539,263.15	
Surplus for year 1941.....	302,436.79	841,699.94

\$5,528,035.53

T. H. COOPER,
Comptroller.

OF AUDITORS

the year ended the 31st. December, 1941, and we certify that, in our opinion view of the affairs of the Air Lines as at the 31st. December, 1941, and that the stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

INCOME ACCOUNT

YEAR ENDED 31ST. DECEMBER, 1941.

GROSS REVENUE:		
Passenger.....		\$2,348,428.46
Mail.....		3,058,120.95
Express.....		78,811.56
Excess Baggage.....		18,341.12
Other Transportation.....		127.50
Incidental Services.....		303,964.44
Total.....		\$5,807,794.03
OPERATING EXPENSES:		
Aircraft—		
Operation and Maintenance.....	\$3,011,315.13	
Depreciation.....	567,953.87	\$3,579,269.00
Ground Facilities—		
Operation and Maintenance.....	\$1,029,651.13	
Depreciation.....	140,571.12	1,170,222.25
Incidental Services.....		155,488.20
Traffic and General Administration.....		394,260.97
Tax Accruals.....		6,895.58
Exchange, etc.....		11,721.24
Interest on Capital Invested.....		187,500.00
Total.....		\$5,505,357.24
Surplus.....		\$ 302,436.79

STATISTICAL DATA

YEAR ENDED 31ST. DECEMBER, 1941.

Route Mileage Operated.....	4,024
Plane Miles Flown—Revenue.....	6,384,651
Plane Miles Flown—Non Revenue.....	890,164
Revenue Passengers Carried.....	85,154
Percentage of Passenger Occupancy.....	67
Average Passenger Journey—Miles.....	520
Air Mail Carried—Pounds.....	1,389,614
Express Carried—Pounds.....	173,192
Excess Baggage Carried—Pounds.....	112,924

Since the inception of operations the company has flown a total of 15,063,735 plane miles in revenue service and a total of 85,943,053 passenger miles.



