

TRANS-CANADA AIR LINES

ANNUAL REPORT

FOR THE YEAR ENDED 31ST. DECEMBER, 1939

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BOARD OF DIRECTORS

Elected by Shareholders :

S. J. HUNGERFORD.....	Chairman and President, Canadian National Railways.....	Montreal
H. J. SYMINGTON, K.C.....	Director, Canadian National Railways.....	Montreal
WILFRID GAGNON.....	” ” ” “	Montreal
J. A. NORTHEY.....	” ” ” “	Toronto

Appointed by Governor in Council :

C. P. EDWARDS.....	Chief of Air Services, Department of Transport.....	Ottawa
J. A. WILSON.....	Controller of Civil Aviation, Department of Transport.....	Ottawa
GEO. HERRING.....	Chief Superintendent of Air and Land Mail Services, Post Office Dept.....	Ottawa

OFFICERS

President.....	S. J. HUNGERFORD
Vice-President in Charge of Operations.....	D. B. COLYER
Secretary.....	W. H. HOBBS
Treasurer.....	C. D. COWIE
Comptroller.....	T. H. COOPER
Chief Counsel.....	E. E. FAIRWEATHER, K.C.
Director of Publicity.....	W. S. THOMPSON
General Traffic Manager.....	G. G. WAKEMAN

TRANS-CANADA AIR LINES

THIRD ANNUAL REPORT OF THE DIRECTORS OF TRANS-CANADA AIR LINES YEAR ENDED 31ST. DECEMBER, 1939

To the Shareholders:

The Board of Directors submit herewith the Third Annual Report of Trans-Canada Air Lines, being for the year ended 31st. December, 1939.

OPERATIONS AND DEVELOPMENT

The close of the year 1939 saw the completion of what might be termed the first stage in the development of the company's operations. During the year passenger service was inaugurated between Montreal, Toronto and Vancouver, between Montreal, Ottawa and Toronto, and between Lethbridge and Edmonton; mail and express service was extended to Moncton. The company's ground facilities and personnel were established to meet the requirements of a 24-hour-a-day operation and the flight training programme was advanced to provide a full complement of trained personnel for the services operated and for the extensions immediately contemplated.

For ready reference the principal events of the year, and contemplated developments for 1940, are set forth below:—

Principal Events of the Year:

- FEBRUARY 1ST. —Service to Calgary established.
- MARCH 1ST. —Regular air mail and air express service established between Montreal, Toronto and Vancouver on night schedule.
- MARCH 1ST. —Additional daily service inaugurated between Lethbridge, Calgary and Edmonton.
- APRIL 1ST. —Passenger service inaugurated between Montreal, Toronto and Vancouver, and between Lethbridge, Calgary and Edmonton.
- JULY 18TH. —Air mail, passenger and air express service inaugurated between Montreal, Ottawa, and Toronto via Muskoka.
- NOVEMBER 1ST.—Service established between Moncton and Toronto on a daylight schedule, mail and express only being carried between Moncton and Montreal, and passengers, mail and express between Montreal, Ottawa and Toronto. The inauguration of this service provided a second daily schedule between the three latter cities.

Contemplated Developments, 1940:

- Additional daily service between Montreal, Toronto and Vancouver, on or about April 1st.
- Service between Toronto, London and Windsor, on or about July 1st.
- Service between Toronto and New York, and Toronto and Buffalo.

Operating Conditions and Performance:

Operating conditions throughout the year were on the whole quite favourable. There were no accidents involving injury to passengers or personnel.

The following statistics demonstrate the growth and expansion of the company's operations:—

December 31st., 1938		December 31st., 1939	
Toronto—Vancouver	2,291	Moncton—Vancouver	2,839
Montreal—North Bay	307	Ottawa—Toronto	228
Lethbridge—Edmonton	288	Toronto—North Bay	187
Seattle—Vancouver	122	Lethbridge—Edmonton	288
		Seattle—Vancouver	122
	<u>3,008</u>		<u>3,664</u>

Scheduled Miles—Daily			
Toronto—Vancouver (1 round trip)	4,582	Montreal—Vancouver (1 round trip)	4,822
Montreal—North Bay—Toronto (1 round trip)	988	Moncton—Toronto (1 round trip)	1,532
Lethbridge—Edmonton (1 round trip)	576	Montreal—Toronto (1 round trip)	676
Vancouver—Seattle (2 round trips)	488	Toronto—North Bay (1 round trip)	374
		Lethbridge—Edmonton (2 round trips)	1,152
		Seattle—Vancouver (2 round trips)	488
	<u>6,634</u>		<u>9,044</u>

	Plane Miles Flown 1939			Hours Flown 1939			Percentage of Scheduled Performance
	Revenue	Training	Total	Revenue	Training	Total	
January	194,130	38,228	232,358	1,203	220	1,423	97.4
February	175,992	28,125	204,117	1,114	161	1,275	98.1
March	216,805	18,224	235,029	1,388	110	1,498	97.1
April	216,003	30,042	246,045	1,294	177	1,471	99.8
May	223,510	28,676	252,186	1,380	163	1,543	100.0
June	217,450	16,660	234,110	1,383	98	1,481	99.8
July	235,131	30,281	265,412	1,502	171	1,673	100.0
August	252,043	52,034	304,077	1,599	292	1,891	99.9
September	239,746	36,290	276,036	1,530	204	1,734	99.3
October	245,018	33,442	278,460	1,554	195	1,749	97.4
November	274,552	27,498	302,050	1,741	154	1,895	98.1
December	269,710	25,803	295,513	1,715	151	1,866	91.4
Total	<u>2,760,090</u>	<u>365,303</u>	<u>3,125,393</u>	<u>17,403</u>	<u>2,096</u>	<u>19,499</u>	<u>98.1</u>

	Planes miles flown since inception of operations			Hours flown since in- ception of operations		
	Revenue	Training	Total	Revenue	Training	Total
Sept. 1, 1937 to Dec. 31, 1937						
Year 1938	1,122,179	826,167	1,948,346	7,266	5,285	12,551
Year 1939	2,760,090	365,303	3,125,393	17,403	2,096	19,499
Total	<u>3,908,865</u>	<u>1,265,842</u>	<u>5,174,707</u>	<u>24,865</u>	<u>7,874</u>	<u>32,739</u>

Air Mail Service:

Regular air mail service was established between Montreal, Toronto and Vancouver, and between Lethbridge and Edmonton, on December 1st., 1938, on a daylight schedule. On March 1st., 1939, this was changed to a night schedule providing first morning delivery in Winnipeg and Regina and afternoon delivery in Lethbridge, Calgary, Edmonton, Vancouver and Victoria of mail picked up the previous evening in Montreal, Ottawa and Toronto; also afternoon delivery in Toronto, Ottawa and Montreal of mail picked up the previous evening in Western Canada. On the same date the service between Lethbridge and Edmonton was increased to two trips each day with a morning and evening departure from each city.

On July 18th. a direct Montreal—Ottawa—Toronto schedule was established and the air mail service was extended to cover that route, and on November 1st. a second daylight schedule was inaugurated with an extension on a training basis from Montreal to Moncton. At the inception of this latter schedule, regular air mail was carried between Montreal and Toronto and ordinary first-class mail between Montreal and Moncton. On January 1st., 1940, the carriage of first-class mail was discontinued and regularly surcharged air mail only handled.

Mail (pounds) carried in the various services during the year 1939 was as follows:—

Month	Trans- continental	Lethbridge Edmonton	Montreal Toronto	Vancouver Seattle	Total
January.....	18,082	152	413	3,097	21,744
February.....	17,920	318	356	3,107	21,701
March.....	29,204	641	579	5,465	35,889
April.....	27,933	694	393	5,677	34,697
May.....	32,292	623	604	6,872	40,391
June.....	30,888	680	566	6,860	38,994
July.....	31,329	675	734	7,518	40,256
August.....	33,872	744	1,309	8,069	43,994
September.....	33,831	712	1,221	6,779	42,543
October.....	32,202	980	1,119	6,157	40,458
November.....	32,920	887	1,713	6,076	41,596
December.....	39,259	1,284	2,290	7,803	50,636
Total.....	359,732	8,390	11,297	73,480	452,899
West or North.....	169,866	2,815	6,044	31,152	209,877
East or South.....	189,866	5,575	5,253	42,328	243,022
Total.....	359,732	8,390	11,297	73,480	452,899

In addition 71,007 pounds of regular first-class mail were carried in scheduled flights between Moncton and Montreal during the months of November and December.

Passenger Service:

Passenger service was inaugurated between Montreal, Toronto and Vancouver and between Lethbridge and Edmonton on April 1st. A direct Montreal—Ottawa—Toronto service was established July 18th. and a second daily schedule between those points on November 1st. The lack of complete radio coverage delayed the inauguration of passenger service to Moncton until February 15th., 1940.

Passenger service was operated with a satisfactory degree of regularity, and the company's flight and ground personnel have established a reputation for discipline, efficiency, and courtesy in dealing with the public. The patronage of the service has considerably exceeded expectations, particularly on the trans-continental route. A total of 21,569 revenue passengers was carried, the average passenger journey being 559 miles.

The following table shows the percentage of passenger occupancy (passengers carried in relation to seat capacity) on the various schedules operated during the year:—

	Trans- continental	Lethbridge Edmonton	Montreal Toronto	Montreal Toronto (2nd.Sch.)	Montreal Toronto North Bay	Toronto North Bay	Vancouver Seattle	All Schedules
January.....	—	—	—	—	—	—	13.0	13.0
February.....	—	—	—	—	—	—	14.4	14.4
March.....	—	—	—	—	—	—	17.5	17.5
April.....	46.0	24.8	—	—	24.0	—	20.0	44.9
May.....	56.0	31.5	—	—	30.0	—	25.4	50.4
June.....	68.5	35.7	—	—	39.5	—	33.0	63.5
July.....	81.0	38.7	49.5	—	44.0	—	39.5	66.7
August.....	82.5	38.2	55.5	—	50.0	—	48.0	65.2
September.....	77.5	31.7	56.5	—	50.5	—	30.5	60.1
October.....	67.0	25.5	49.0	—	42.0	—	25.0	51.2
November.....	63.0	26.7	56.5	50.0	—	50.0	23.7	55.0
December.....	60.0	28.0	50.0	58.7	—	45.0	22.0	53.0
Year.....	69.0	31.2	53.5	54.5	40.0	48.0	26.0	56.1

Air Express Service:

Air express service, which was inaugurated between Montreal, Toronto and Vancouver on October 17th. 1938, was extended during the year 1939 to cover the Montreal—Ottawa—Toronto schedules when these were established, and to Moncton when the training schedule was inaugurated to that City on November 1st.

The amount of business handled has not been large, but it has shown a steady and consistent growth, and there is every indication that the service afforded is becoming recognized and appreciated by shippers for its convenience and dispatch.

The following table shows the volume of traffic during the year:—

	Number of Shipments	Weight (Pounds)
January.....	289	1,339
February.....	294	1,077
March.....	487	2,076
April.....	809	3,197
May.....	1,103	5,212
June.....	1,026	4,378
July.....	913	3,468
August.....	1,028	4,550
September.....	1,066	7,113
October.....	1,147	3,923
November.....	1,249	3,802
December.....	1,486	5,684
Total.....	<u>10,897</u>	<u>45,819</u>

PROPERTY AND EQUIPMENT

Flight Equipment:

As at December 31st., the flight equipment of the company consisted of:—

15 Lockheed 14H aircraft, each equipped with two Pratt & Whitney S1E2G or S1E3G Hornet engines of 850 horsepower, hydromatic full-feathering propellers, and Bendix radio.

Six of the above aircraft were acquired during the year. Five replaced in service an equal number of Lockheed 10A aircraft which, due to their limited accommodation and slower speed, were not satisfactory from a passenger point of view. The five Lockheed 10A aircraft were subsequently sold at their depreciated book value, one to the Inspection Division, Department of Civil Aviation, and four to the Department of National Defence for use of the Royal Canadian Air Force.

A programme of modifications and improvements to flight equipment was undertaken by the company's forces at the Winnipeg repair base with the co-operation and assistance of the aircraft and engine manufacturers. The major projects completed were:—

Fitting of wing slots.

Substitution of improved type of propeller de-icing equipment.

Revision of heating system.

Installation of oxygen equipment for passengers and crew.

It is the endeavour of the company's technical staff to keep abreast of progress in the industry and there is a regular exchange of information and data with other operators and with the manufacturers. During the year considerable experience was gained in connection with icing problems, and the company co-operated with the manufacturer and with the National Research Council at Ottawa in tests and experiments with a view to improving present practices. Interesting developments are under way in respect of direction finding equipment and blind landing equipment, and are being carefully followed.

Ground Equipment:

The hangar at Malton Airport (Toronto), construction of which was commenced in the fall of 1938, was completed in February 1939. A hangar of similar design was erected during the year at St. Hubert Airport (Montreal), and work was commenced in the late fall on a hangar at Moncton which it is expected will be completed early in 1940. An extension to the hangar and shop at Winnipeg was also completed during the year.

Adequate facilities were made available early in the year at the Winnipeg repair base for the maintenance and overhaul of aircraft, engines, propellers, instruments and radio equipment.

Improved passenger facilities were provided at all airports. Radio, servicing, and other equipment was installed at Calgary and Moncton.

AIRWAY FACILITIES

Landing fields and other facilities at the airports owned by municipalities or by the Department of Transport, and used by the company, were improved considerably during the year. Additional runways were constructed where required, existing runways extended, and field lighting bettered. Improvements were also made at intermediate and emergency fields maintained and operated by the Department of Transport.

Radio range facilities furnished by the Department of Transport are now in operation at all stations along the company's route from Moncton to Vancouver and at the intermediate or 100-mile landing fields. The operation of the radio ranges showed consistent improvement throughout the year and the system is now functioning with a high degree of efficiency. An improved type of range equipment was substituted in Carmi and Crescent Valley ranges in the mountain section, and a high frequency range marker installed at Maple Ridge, B.C., the approximate point at which the westbound flight commences its descent after crossing the mountains. These proved of material assistance to the company's operations. New ranges were installed at Megantic, Que., Blissville, N.B., and Moncton, N.B., on the Montreal—Moncton run; and at Sterling, Ont., (about 20 miles north of Trenton) on the direct route between Ottawa and Toronto. The first three were in operation in the late fall and the Sterling range at the end of the year. The use of the latter range reduces the mileage and flying time between Ottawa and Toronto by 48 miles and 15 minutes respectively. Ranges are under construction at London, Ont., and Windsor, Ont., to cover the prospective Toronto—Windsor service. A radio range installed by the United States authorities at Millinocket, Maine, was completed at the end of January, 1940, as a result of which there is now full radio coverage on the route between Montreal and Moncton.

The weather reporting service operated by the Meteorological Branch, Department of Transport, was extended and its staff augmented to meet the needs of the expanding service and the increased use of the airway.

Under arrangements between the Department of Transport and the municipal authorities administration buildings were constructed at the Malton and Regina airports.

PERSONNEL

Personnel at December 31st., 1939, totalled 497, being an increase during the year of 165 and comprised of:—

Administrative officers, technical advisers and operations officers.....	12
Captains and first officers.....	54
Stewardesses.....	28
Maintenance and overhaul.....	233
Communications and dispatch.....	81
Station, clerical and other.....	89
	497

The organization was developed systematically throughout the year to keep pace with expanding operations. There was no modification of the high physical and educational standards required of prospective employees, and so far no serious difficulty has been experienced in securing the desired type of personnel.

The pilot training programme was carried on as expeditiously as the provision of flying equipment permitted. In all, some 2,096 hours were flown in training during the year, and 21 candidates successfully completed the training course and were assigned to duty. In order to provide for contemplated service extensions and for a small reserve of trained personnel, a number of pilots are now in training, and daylight cross-country trips are being operated in the prairie section for the advanced training and familiarization of potential captains.

On September 1st. Mr. P. G. Johnson requested that he be allowed to relinquish his appointment as Vice-President in charge of Operations. The Directors, appreciating the personal reasons which prompted the request, regretfully acceded to his wishes. Mr. Johnson agreed, however, to devote a certain amount of his time to the affairs of the company, and accepted the appointment of Consultant. Mr. D. B. Colyer, formerly Chief Technical Adviser, was appointed Vice-President in charge of Operations.

FINANCIAL

The paid in capital of the company, which has all been raised by the issue of capital stock, is now \$3,750,000, an increase during the year of \$550,000. Of the funds thus obtained \$3,699,889 has been invested in aircraft, buildings and ground equipment. No portion of the capital has been utilized for organization, training or development expense. The balance sheet of the company at 31st. December, 1939, is appended hereto.

The income account for the year, after providing for all operating costs, including depreciation and interest on invested capital, shows a deficit of \$411,656, which is somewhat under the amount of \$488,941 appropriated by Parliament. Details of the revenue and expenditure accounts are given in the accompanying schedules. The operating expenses include, in addition to the operating costs of revenue producing services, all expense incurred during the year in connection with the development of new services and the training of personnel.

Adequate depreciation reserves have been provided in respect of all property subject to depreciation. Depreciation charged to operating expenses in 1939 totalled \$557,342, and comprised over 20% of the total operating costs. Full insurance coverage is carried with outside underwriters for passenger, public, and employer's liability. Provision is also made by self-insurance or with outside underwriters for loss or damage to aircraft and other company-owned property.

GENERAL

War Conditions:

The company is performing an important function in the Dominion's war effort and war-time economy. The value of a fully-equipped national airway, with adequate means of communication and with facilities for servicing both military and civilian aircraft, has already been demonstrated.

Under the provisions of an Order in Council passed shortly after the outbreak of hostilities, trained employees may only join the armed forces with the permission of the company. A number of employees have been granted such permission, with leave of absence for the duration of the war.

It is not anticipated that the company's operations will be adversely affected by the Commonwealth Air Training Plan, which will come into full operation during 1940. Indications are that it will be possible to arrive at an understanding in regard to the use of airports and airway facilities which will be mutually satisfactory.

Measures have been taken to protect the company's property against sabotage.

Second Transcontinental Schedule:

Consideration has been given to increasing the transcontinental schedule to two trips daily each way between Montreal, Toronto and Vancouver. Sufficient trained personnel will be available by the spring of 1940, and it now appears reasonably certain that the additional service will commence on or about April 1st.

Service Extensions:

Present indications are that the airway facilities now under construction between Toronto and Windsor, including the terminal field at Windsor, the intermediate field at London, and the radio ranges at both points, will be completed in the late spring or early summer of 1940. Accordingly, it is planned to inaugurate a double-daily schedule between Toronto and Windsor with a stop at London, on or about July 1st.

It is further proposed to operate services between Toronto and New York and between Toronto and Buffalo. The company has obtained the necessary Canadian licenses, and its applications for the required United States licenses are now before the Civil Aeronautics Authority at Washington.

Trans-Atlantic Flights:

Imperial Airways Limited operated eight round-trip Trans-Atlantic flights from Southampton to New York, via Foynes, Botwood and Montreal, during the months of August and September. The flying boats "Cabot" and "Caribou," the largest type of equipment yet used in this service, were employed, and all trips were successfully completed. A considerable volume of mail and express traffic developed, but no passengers were carried. Information received indicates that the service is to be resumed in the spring of 1940.

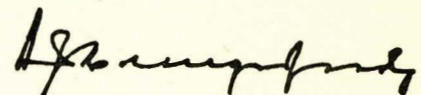
Outlook for 1940:

The progress achieved during the year in the development of the company's services is considered satisfactory. The prospects for 1940 appear favourable. Passenger traffic has been well maintained during the winter, and there is every indication that it will materially increase in the spring, particularly if a second transcontinental schedule is available. The company's operating budget for 1940, which is based on the assumption that a second transcontinental schedule will be operated in the spring, and that services will be extended to Windsor, New York and Buffalo during the summer, contemplates that there will be a profit for the year, after depreciation and interest.

The change from a training and pioneering stage to a full-time scheduled operation presented problems which were exacting and at times difficult, and the Directors desire to acknowledge the loyal and efficient service of the company's personnel.

The cordial relations established with the officers and field staffs of the Department of Transport and the Post Office Department continued throughout the year, and acknowledgment is again made of the assistance and co-operation received.

For the Directors,



President.

Montreal, 19th. March, 1940.

BALANCE SHEET AT

ASSETS			
CURRENT ASSETS:			
Cash.....		\$ 256,734.42	
Working Fund Advances.....		1,319.50	
Special Deposits.....		67.73	
Accounts Receivable.....		451,466.54	
Traffic Balances Receivable.....		53,226.32	
Balances Receivable from Agents.....		8,935.25	
Motor Fuels and Lubricating Oils.....		4,362.81	
Materials and Supplies.....		231,139.47	
Other Current Assets.....		11,045.57	
Dominion of Canada Subsidy:			
1939 Income Deficit.....	\$411,656.59		
Less paid on account.....	<u>375,325.48</u>	36,331.11	\$1,054,628.72
DEFERRED DEBITS:			
Prepayments—Insurance.....		\$ 33,513.14	
Other Deferred Debits.....		<u>3,944.69</u>	37,457.83
CAPITAL ASSETS:			
Property and Equipment.....		\$3,699,889.40	
Less Accrued Depreciation.....		<u>634,241.68</u>	3,065,647.72
			<u>\$4,157,734.27</u>

CERTIFICATE

We have examined the books and records of the Trans-Canada Air Lines for
 We certify that, in our opinion, the above Balance Sheet is properly drawn
 31st. December, 1939 and that the relative Income Account for the year ended the

9th. March, 1940.

31st. DECEMBER, 1939.

		LIABILITIES	
CURRENT LIABILITIES:			
Accounts Payable.....		\$ 218,024.27	
Traffic Balances Payable.....		6,558.59	
Salaries and Wages.....		34,274.99	
		<u> </u>	\$ 258,857.85
DEFERRED CREDITS:.....			31,537.07
SELF INSURANCE RESERVE:.....			117,339.35
CAPITAL STOCK:			
Common Stock Subscribed—Par Value.....		\$5,000,000.00	
Less Uncalled Subscriptions to Common Stock.....		1,250,000.00	
		<u> </u>	3,750,000.00

\$4,157,734.27

T. H. COOPER,
Comptroller.

OF AUDITORS

the year ended the 31st. December, 1939.

up so as to exhibit a true and correct view of the affairs of the Air Lines as at the 31st. December, 1939 is correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

INCOME ACCOUNT

YEAR ENDED 31ST. DECEMBER, 1939.

OPERATING REVENUE:	
Passenger	\$ 643,915.48
Mail	1,632,873.00
Express	23,613.01
Excess Baggage	3,940.78
Other Transportation	13,347.56
Incidental Services	32,784.14
Total Revenue	\$2,350,473.97
OPERATING EXPENSES:	
Aircraft Operation and Maintenance	\$1,724,153.50
Ground Operation and Maintenance	636,256.94
Incidental Services	20,537.94
Traffic and General Administration	195,031.97
General Taxes	10,763.33
Total Expenses	\$2,586,743.68
NET OPERATING LOSS	\$ 236,269.71
MISCELLANEOUS INCOME	517.65
INTEREST ON CAPITAL INVESTED	175,904.53
DEFICIT provided by Dominion Subsidy	\$ 411,656.59

STATISTICAL DATA

YEAR ENDED 31ST. DECEMBER, 1939.

Route Mileage Operated	3,664
Revenue Miles Flown	2,760,090
Training Miles Flown (Non-Revenue)	365,303
Revenue Passengers Carried	21,569
Percentage of Passenger Occupancy	56.1%
Average Passenger Journey—Miles	559
Mail Carried (Pounds)	523,906
Express Carried (Pounds)	45,819
Excess Baggage Carried (Pounds)	21,910
Revenue Hours Flown	17,403
Training Hours Flown (Non-Revenue)	2,096

