

TRANS-CANADA AIR LINES

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1938

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BOARD OF DIRECTORS

Elected by Shareholders:

S. J. HUNGERFORD.....	Chairman and President, Canadian National Railways.....	Montreal
*JAMES Y. MURDOCH, K.C....	Director, Canadian National Railways.....	Toronto
H. J. SYMINGTON, K.C.....	“ “ “ “	Montreal
WILFRID GAGNON.....	“ “ “ “	Montreal

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

**Resigned February 15, 1939.*

OFFICERS

President.....	S. J. HUNGERFORD
Vice-President in Charge of Operations.....	P. G. JOHNSON
Assistant to Vice-President in Charge of Operations.....	D. R. MACLAREN
Secretary.....	W. H. HOBBS
Treasurer.....	C. D. COWIE
Comptroller.....	T. H. COOPER
Counsel.....	E. E. FAIRWEATHER
Director of Publicity.....	W. S. THOMPSON
General Traffic Manager.....	G. G. WAKEMAN

TRANS-CANADA AIR LINES

SECOND ANNUAL REPORT

OF THE

DIRECTORS OF TRANS-CANADA AIR LINES

YEAR ENDED DECEMBER 31ST., 1938

To the Shareholders:

The Board of Directors submits herewith the Second Annual Report of Trans-Canada Air Lines, being for the year ended December 31st., 1938.

OPERATIONS AND DEVELOPMENT

The organization and development of the company progressed systematically throughout the year and as expeditiously as the provision of flying and ground equipment and the facilities available for training permitted.

The year saw the progressive development of the company's operations from training flights in Western Canada, with an occasional trip across the mountains, to a regularly operated daily schedule between Montreal and Vancouver with a connecting schedule from Lethbridge to Edmonton. Correlated with this development was the establishment of the repair base and overhaul shop at Winnipeg, and the opening of stations with complete radio facilities at the following points:—

Montreal (St. Hubert), Que.	Wagaming, Ont.
Ottawa, Ont.	Winnipeg, Man.
Toronto (Malton), Ont.	Regina, Sask.
North Bay, Ont.	Lethbridge, Alta.
Kapuskasing, Ont.	Edmonton, Alta.
Vancouver, B.C.	

Principal Events of the Year:

The principal events of the year are set forth below in chronological order:—

FEBRUARY 1ST.—Scheduled training service between Winnipeg and Vancouver inaugurated; daylight flights with Lockheed 10'A equipment.

MARCH 6TH.—First class mail carried on training schedule between Winnipeg and Vancouver.

APRIL 1ST.—Night flying inaugurated in Western Canada.

JUNE 20TH.—Twice daily schedule established on Vancouver-Seattle service.

JULY 1ST.—Twice daily training schedule established between Winnipeg and Vancouver; the daylight flight with 10'A equipment and the night flight with 14'H equipment.

AUGUST 15TH.—Day schedule between Winnipeg and Vancouver discontinued. Experimental flights east of Winnipeg commenced.

SEPTEMBER 7TH.—Scheduled training service between Winnipeg and Montreal inaugurated.

SEPTEMBER 19TH.—Air express service established between Winnipeg and Vancouver.

OCTOBER 1ST.—Regular air mail service established between Winnipeg and Vancouver carrying only mail at surcharged rates, night schedule; air mail and air express service established between Lethbridge and Edmonton, night schedule.

OCTOBER 17TH.—Air express service extended to Montreal and Toronto.

DECEMBER 1ST.—Air mail service extended from Winnipeg to Montreal and Toronto; day schedule. Occasional night flights undertaken east of Winnipeg.

Night Mail Schedule:

On March 1st., 1939, night schedules were inaugurated providing first morning delivery in Winnipeg and Regina and afternoon delivery in Lethbridge, Calgary, Edmonton, Vancouver and Victoria of air 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.

Passenger Service:

April 1st., 1939 has been tentatively set as the date of inauguration of passenger service over the transcontinental route and between Lethbridge and Edmonton. Necessary arrangements in regard to accommodation at airports, catering, preparation and publication of tariffs, etc., are in hand.

Extensions:

The extension of the eastern terminus of the transcontinental service to Moncton will be undertaken as soon as airway facilities and navigation aids are available. An application is now before the United States authorities for permission to fly over the State of Maine. The company will construct a hangar, install ground radio equipment, and provide refueling and station facilities at Moncton.

Negotiations necessary to obtain authorization for services between Toronto and Buffalo and Toronto and Windsor have been initiated. Airport facilities are available at Buffalo but provision of range courses will be necessary. The extension to Windsor necessitates the construction of an adequate terminal field at that point, a properly equipped intermediate field in the vicinity of London, range stations at both fields, and meteorological service at Windsor.

It is anticipated that an additional direct service between Montreal, Ottawa and Toronto will be warranted by the traffic offering, particularly when the service to Windsor is in operation. Recommendations have been made to the authorities concerned in connection with the provision of the necessary intermediate and emergency fields and radio range facilities.

Service to Victoria, B.C.:

Adequate facilities are not yet provided at Victoria for handling T.C.A. aircraft but a suitable field is being constructed by the Department of National Defence which it is understood will be available. Pending completion thereof and the provision of the necessary aids to navigation, the company as contractor for the transcontinental mail service has entered into a temporary agreement with Canadian Airways Limited effective March 1st., 1939, under which that company will transport mail between Vancouver and Victoria by seaplane.

Service to Calgary, Alta.:

Since the close of the year facilities at the new Calgary airport have been advanced sufficiently to permit of its use. Effective February 1st., 1939 that City was constituted a regular point of call on the Lethbridge-Edmonton service.

Trans-Atlantic Trial Flights:

The plans of Imperial Airways Limited for a number of trial flights across the North Atlantic during the year were curtailed and only one crossing was made. The "Mercury", the upper component of the composite aircraft developed in England, left Foynes, Irish Free State, at 19.00 (G.M.T.) on July 20th. and flew non-stop to Montreal, arriving at 15.19 (G.M.T.) on July 21st. A pay load of approximately 1,000 pounds was carried. The return journey was made from New York on July 25th. via Montreal, Newfoundland, the Azores and Lisbon. The present indications are that there will be considerably greater activity in this connection during 1939.

Operating Performance:

The following table gives the operating performance of the service between Montreal and Vancouver from October 1st. to December 31st. As winter conditions were encountered almost from the inception of the through service the standard of performance attained is considered very satisfactory.

	Trip 1	Trip 2
	Montreal-Vancouver	Vancouver-Montreal
OCTOBER		
Miles Scheduled	83,328	83,328
Scheduled miles completed	99.3%	98.1%
NOVEMBER		
Miles Scheduled	80,640	80,640
Scheduled miles completed	93.2%	96.9%
DECEMBER		
Miles Scheduled	83,328	84,836
Scheduled miles completed	95.1%	92.3%

Mail Carried:

The mail carried in the various services from the commencement of regular air mail service was as follows:-

		Pounds	Pounds
Winnipeg-Vancouver (October and November)	West.....	5,801	
	East.....	5,837	11,638
Montreal-Vancouver (December only)	West.....	9,829	
	East.....	10,067	19,896
Lethbridge-Edmonton (October to December)	North.....	3,715	
	South.....	4,164	7,879
Vancouver-Seattle (Year 1938)	North.....	23,671	
	South.....	39,333	63,004
Total regular air mail.....			102,417

In addition 265,317 pounds of regular first class mail were carried in scheduled training flights between Winnipeg and Vancouver from March 6th. to September 30th.

PROPERTY AND EQUIPMENT**Flight Equipment:**

At December 31st., the flight equipment of the corporation consisted of:-

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

5 Lockheed 10'A aircraft; each equipped with two Pratt & Whitney S.B. Wasp Junior engines of 450 horsepower, controllable pitch propellers and Western Electric radio (one is equipped with Bendix radio).

The 14'H equipment is used in the transcontinental service and the 10'A equipment in the Vancouver-Seattle and Lethbridge-Edmonton services. An adequate complement of spare engines and propellers is on hand to protect the service.

Ground Equipment:

It is the policy of the company to make use of facilities on a rental basis wherever possible, but it has been necessary for the company at some points to construct its own hangar accommodation. A type of hangar has been designed by the company's officers which permits of expansion with a minimum of disturbance to the existing structure. Hangars of this type were completed at Stevenson Airport, Winnipeg, at the municipal airport at Lethbridge, and another, commenced in the fall at Malton Airport, Toronto, was completed in February, 1939. Other construction work undertaken during the year consisted of an administration building, an engine test-house, and a repair shop, all adjoining and connected with the Winnipeg hangar; and a fuel storage tank at Wagaming, Ont.

Shop machinery, servicing equipment, refueling tank waggons and delivery trucks have been supplied to the repair base and to stations. Ground station radio equipment has been installed at all stations and at the intermediate landing fields at Cranbrook, B.C. and Oliver, B.C.

AIRWAY FACILITIES**Airports and Landing Fields:**

Satisfactory arrangements have been entered into for use of the municipal airports at Winnipeg, Regina, Lethbridge, Edmonton, Vancouver and Seattle, and with the Department of Transport for use of the facilities at Montreal (St. Hubert), Ottawa, North Bay, Kapuskasing and Wagaming.

The Department of Transport is arranging with the City of Toronto for a temporary lease of the airport facilities at Malton. The company will take over the operation of the airport during the period of such lease.

Intermediate and emergency landing fields are located between stations at intervals of 100 miles and 50 miles respectively. These fields are maintained and operated by the Department of Transport or a municipality for the use of aircraft generally.

Aids to Navigation:

Radio range facilities furnished by the Department of Transport are now in operation at all stations Montreal and west and at the intermediate or 100-mile landing fields. These facilities are also available for use of all aircraft.

From the inception of operations in the mountain section it was evident that considerably better coverage would be afforded were the ranges between Cranbrook and Princeton on a straight line. By arrangement

with the Department of Transport, two new ranges were installed at Crescent Valley and Carmi. The work of installation was completed in December but unfavourable weather prevented calibration of the new ranges until early in January 1939, subsequent to which flights have been operated over the new route, reducing the distance between Lethbridge and Vancouver by eleven miles.

The Department of Transport is installing a high frequency range marker at Maple Ridge, the approximate point at which the westbound flight commences its descent after crossing the mountains. The range marker is a ground radio installation transmitting a signal on an ultra-high frequency which is received by the pilot both audibly and visually by means of a special receiver in the plane. As the pilot is familiar with the location of the marker the signal enables him to check his course within very definite limits. It is expected that similar installations will be made at other locations.

Weather reporting service is now furnished by the Meteorological Branch, Department of Transport, on a twenty-four hour basis from Montreal west.

PERSONNEL

The permanent staff at December 31st., totalled 332, being an increase during the year of 261 and comprised of:—

Administrative officers, technical advisers and employees in training for supervisory positions	14
Flight personnel	37
Maintenance and Overhaul	178
Communications and Dispatch	55
Station, clerical and other	48
	332

Employees of the permanent staff are required to meet high physical and educational standards and in the case of technical positions to have had previous experience. The company has been fortunate in securing the type of personnel required and as a result there has been little lost effort during the probationary training period.

It has become the recognized practice of air transport companies on this continent to employ stewardesses to care for the comfort of passengers. In the month of July stewardesses were engaged for the Vancouver-Seattle service and will be employed on other runs when passenger service is inaugurated. Only registered nurses will be employed by Trans-Canada Air Lines in this category.

In anticipation of regular passenger service, a traffic department was organized in the latter part of the year. Mr. G. G. Wakeman was appointed General Traffic Manager at Montreal and district officers were appointed at Winnipeg and Vancouver.

A group insurance plan for the benefit of employees was made effective during the year, part of the cost being assumed by the company.

It is with deep regret that the loss of the lives of two valued pilots, Captain D. D. Imrie and First Officer J. W. Herald, is recorded. They were killed when aircraft CF-TCL crashed and was destroyed in the early morning hours of November 18th just after its take-off from Regina on a regularly scheduled flight to Vancouver. Full investigation by the company's officers and also by a Board of Enquiry constituted by the Minister of Transport failed to determine the cause of the accident.

Tribute is paid to the zeal and loyalty of the personnel. Training schedules have been severe and exacting. Ground forces have been on call at all times and their periods of duty have been irregular. All have accepted willingly and cheerfully these conditions, inseparable as they are from the pioneering work involved.

Recognition is also made of the services of the Technical Advisers. These officers have given unsparingly of themselves and their time in directing the training of personnel. Their experienced judgment has been invaluable in laying the foundation of the operations organization of the Company.

FINANCIAL

\$3,200,000 capital has now been raised by the issue of capital stock, an increase of \$2,350,000 during the year. \$2,779,314 has been invested in aircraft, aircraft engines, communication equipment, buildings and ground equipment. The remainder of the paid-up capital is represented by working assets less liabilities. It is expected the amount of \$3,200,000 will be increased during 1939 to \$3,750,000, which together with \$1,250,000 reserved for participation in the projected Trans-Atlantic service will absorb the authorized capital of \$5,000,000.

The income account for the year, after providing for all operating costs including depreciation and interest on invested capital, shows a deficit of \$818,025, which is slightly under the amount of \$830,000 appropriated by Parliament. Details of the revenue and expenditure accounts are given in the accompanying schedules. Ninety-four per cent. of the total revenue was from the carriage of mail. Passenger service was operated between Vancouver and Seattle only. The operating expenses include, in addition to the operating costs of revenue producing services, all expenses in connection with the development of new services and the training of personnel. The inter-relationship at this time between revenue operations, the development of new services and the training of personnel is such that it is not possible to make a segregation of expense under the three headings.

Depreciation is being accrued on all equipment and property. Depreciation charges in 1938 totalled \$255,642 and comprised 20% of the total operating costs. The reserve at the close of the year was \$271,821.

Full insurance coverage is carried with outside underwriters for loss of aircraft and other property by fire, explosion, lightning, etc., and for passenger, public and employers' liability.

A reserve is provided by charges to operating expenses for loss or damage of aircraft by reason of crash or collision. The amount in reserve at December 31st. was \$87,921.30. To provide for the loss of aircraft CF-TCL destroyed in the Regina accident the amount in the reserve was utilized in full and the deficiency of \$35,652.18 was charged to aircraft operation.

GENERAL

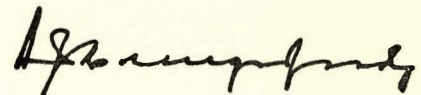
Reference was made in the first annual report of the company to the provisions of The Trans-Canada Air Lines Act, 1937 under which the company was organized. By Chapter 15 of the 1938 Statutes the said Act was amended in respect to services between points within Canada and points outside of Canada and to authorize the company to acquire shares in the capital stock of the company to be incorporated for the purpose of operating a Trans-Atlantic air transport service.

The Trans-Canada mail contract was executed on December 20th., 1938. It provides for a rate of 60 cents per mile for the initial period from July 1st., 1938 to December 31st., 1939, the rate thereafter to be fixed in accordance with the terms of the Trans-Canada Air Lines Act. The routes initially covered are; Moncton-Vancouver, Lethbridge-Edmonton, Vancouver-Seattle, with a provision in the contract that other routes may be designated from time to time by the Governor-in-Council.

The Transport Act, 1938 placed air transport operations under the jurisdiction of the Board of Transport Commissioners for Canada in respect to licensing of routes, rates and tolls, and other matters relating to service to the public.

The report would be incomplete without an expression of appreciation of the assistance and friendly co-operation received from the officers of the Department of Transport and the Post Office Department. The cordial relations which have been established with the headquarters and field staffs of those Departments have proved of mutual benefit in working out common problems.

For the Directors,



President.

Montreal, March 20th., 1939.



BALANCE SHEET AT

ASSETS			
CURRENT ASSETS:			
Cash		\$239,927.35	
Working Fund Advances		1,305.25	
Special Deposits		53.00	
Accounts Receivable		192,785.20	
Traffic Balances Receivable		1,677.87	
Balances Receivable from Agents		756.89	
Motor Fuels and Lubricating Oils		5,680.40	
Materials and Supplies		201,507.05	
Other Current Assets		15,893.52	
Dominion of Canada Subsidy:			
1938 Income Deficit	\$818,025.86		
Less paid on account	616,239.87	201,785.99	\$861,372.52
DEFERRED DEBITS:			
Prepayments—Rent and Insurance		\$ 40,769.97	
Other Deferred Debits		1,017.60	41,787.57
CAPITAL ASSETS:			
Property and Equipment		\$2,779,314.37	
Less Accrued Depreciation		271,821.63	2,507,492.74
			<u>\$3,410,652.83</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, 1938 and that the relative Income Account for the year ended the

10th. March, 1939.

31st. DECEMBER, 1938.

		LIABILITIES	
CURRENT LIABILITIES:			
Accounts Payable	\$ 188,105.33		
Salaries and Wages	18,061.46		\$206,166.79
DEFERRED CREDITS:			4,486.04
CAPITAL STOCK:			
Common Stock Subscribed—Par Value	\$5,000,000.00		
Less Uncalled Subscriptions to Common Stock	1,800,000.00		3,200,000.00
			\$3,410,652.83

T. H. COOPER,
Comptroller.

OF AUDITORS

the year ended the 31st. December, 1938.

up so as to exhibit a true and correct view of the affairs of the Air Lines as at the 31st. December, 1938 is correctly stated.

GEORGE A. TOUCHE & CO.,
Chartered Accountants.

INCOME ACCOUNT

YEAR ENDED 31ST. DECEMBER, 1938.

OPERATING REVENUE:		
Passenger		\$ 15,270.41
Mail		556,193.10
Express		3,755.55
Excess Baggage		114.54
Other Transportation		3,311.51
Incidental Services		12,163.24
Total Revenue		\$ 590,808.35
OPERATING EXPENSES:		
Aircraft Operation and Maintenance		\$ 935,721.98
Ground Operation and Maintenance		274,970.87
Incidental Services		6,017.36
Traffic and General Administration		84,125.23
General Taxes		2,945.01
Total Expenses		\$1,303,780.45
NET OPERATING LOSS		\$ 712,972.10
MISCELLANEOUS INCOME CHARGES		201.08
INTEREST ON CAPITAL INVESTED		104,852.68
DEFICIT provided by Dominion Subsidy		\$ 818,025.86

STATISTICAL DATA

Route Mileage Operated	3,098
Revenue Miles Flown	1,122,179
Training Miles Flown (Non-Revenue)	826,167
Revenue Passengers Carried	2,086
Mail Carried (Pounds)	367,734
Express Carried (Pounds)	7,806
Excess Baggage (Pounds)	3,115
Revenue Hours Flown	7,266
Training Hours Flown (Non-Revenue)	5,286

AIR LINE MILEAGES

	Victoria	Vancouver	Lethbridge	Calgary	Edmonton	Regina	Winnipeg	North Bay	Toronto	Ottawa	Montreal
Victoria	—										
Vancouver	53	—									
Lethbridge	522	469	—								
Calgary	635	582	113	—							
Edmonton	810	757	288	175	—						
Regina	889	836	367	480	655	—					
Winnipeg	1222	1169	700	813	988	333	—				
North Bay	2157	2104	1635	1748	1923	1268	935	—			
Toronto	2344	2291	1822	1935	2110	1455	1122	187	—		
Ottawa	2354	2301	1832	1945	2120	1465	1132	197	226	—	
Montreal	2464	2411	1942	2055	2230	1575	1242	307	336	110	—
Moncton	2892	2839	2370	2483	2658	2003	1670	735	764	538	428

Vancouver-Seattle 122.

Mileages between Toronto and points east are on basis of direct mileage between Toronto and Ottawa.



